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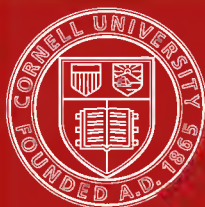
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SELECTED ARTICLES

ON

RECIPROCITY

COMPILED BY
EDWIN CLYDE ROBBINS

MINNEAPOLIS
THE H. W. WILSON COMPANY

1913
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EXPLANATORY NOTE

In American industrial and governmental affairs the tariff has been a source of unending controversy. An important feature of the discussion has concerned reciprocal treaties. The proximity of Canada, for example, has always made the question of reciprocity with that nation an issue of peculiar interest to the United States. Even before the well known treaties of 1854, the question received much consideration; since that date it has been a source of prolific discussion. Experience with other nations, though meagre in some respects, has been of such a nature as to make the subject of reciprocity a topic of nation-wide interest.

The present volume of reprints is submitted, in conformity with the general plan of the series of which it is a part, in hope that it will be of practical value to speakers, debaters, and those wishing to secure general knowledge of the question with a minimum expenditure of labor. To that end the bibliographies and reprints have been selected.

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BRIEF

Resolved, That the United States should adopt the policy of entering into reciprocal trade treaties with foreign nations.

INTRODUCTION

- I. Of late years there has been an increasing discussion of the advisability of entering into reciprocal treaties with foreign nations. This discussion has doubtless had its origin in the facts that there is a well defined movement on foot in favor of conserving our natural resources, and that during the past few years the cost of living in the United States has increased at an unusual rate.
- II. President Hadley of Yale says: "Reciprocity is a relation between two independent powers such that the citizens of each are guaranteed certain commercial privileges at the hands of the other."
- III. The first reciprocal treaty of importance which the United States entered into was with Canada in 1854. This treaty covered all natural products, i. e. products of forest, field, mine—not manufactured produce. The treaty lasted for twelve years. The United States has had other reciprocal treaties of importance.

AFFIRMATIVE

- I. The policy of reciprocal trade treaties is in harmony with our system of protection, for,
 - A. It is granted for the purpose of off-setting the difference in the cost of production at home and abroad.
 - i. Professor Taussig of Harvard, before the Ways and Means Committee of the House, said,

"The basic reason for the protective policy was to shield the workingmen from competition with underpaid labor of over-crowded countries."

2. President Taft in a special message to Congress relative to Canadian reciprocity said: "This is not a violation of the protective principle as that has been announced by those who uphold it."
- B. It meets conditions as they exist in various countries with which we have important trade relations. For example, take Canada:
 1. The general industrial and social conditions of the United States and Canada are almost uniform, i. e., in ancestry, in language, in institutions, in labor conditions and in wages.
 2. Canada is under populated. She has two people to the square mile as compared with our thirty-two to the square mile.
 3. Wage conditions are practically the same.
- C. It supplements the protective policy, for,
 1. In making concessions the labor and industrial conditions of each country are considered in detail.
- II. The reciprocal policy would promote great friendly relations with countries now competitors, for,
 - A. It will prevent commercial warfare between the nations, for,
 1. There will be no object in retaliating.
 - B. It gives expression to the attractive forces between the countries, such as, the geographical advantages, the close relationship, common sympathies, identical moral and social ideas.
 - C. It will permit a closer inter-dependence between the two nations, by giving freer play to commercial forces.
- III. The reciprocal policy would tend to conserve our natural resources, for,

- A. A feasible plan of conservation is to gain access to more supplies. Canada, Mexico, and South American nations all have these supplies. For example,
 - 1. Canada has;
 - a. 840,000 square miles of lumber.
 - b. Extensive areas of wood-pulp.
 - c. Great coal fields.
 - B. By lowering the tariff wall we shall gain access to such resources, for,
 - 1. By the natural flow of trade and of reciprocal relations these raw materials would come to us.
- IV. The reciprocal policy would benefit us from the point of view of incoming trade, for,
- A. The incoming trade would boom American transportation companies, for,
 - 1. It would cause transportation to flow north and south, as well as east and west,
 - B. The incoming trade would increase American manufacturing companies, for,
 - 1. It would give them large supplies of raw materials to work into the finished product.
 - C. The incoming trade would be of advantage to American bankers, for,
 - 1. It would increase the business of American commission men.
 - 2. It would cause large quantities of grain to be marketed in the United States.
 - D. The incoming trade would be of benefit to American farmers, for,
 - 1. It would give them an increased supply of "feeders."
 - 2. It would give them an opportunity to raise and feed more cattle on American corn.
 - E. The incoming trade would be a blessing to the American consumer, for,
 - 1. It would lower the price of lumber.

2. It would reduce the cost of paper.
3. It would steady our markets.

NEGATIVE

- I. When put to the actual test reciprocity has proved a failure, for,
 - A. The reciprocal treaty with Canada in 1854 was not a success, for,
 1. It did not increase our export trade.
 2. It brought no real navigation advantages, for,
 - a. The number of vessels that took advantage of the provisions of the treaty was small.
 - b. There was no increase in our navigation trade due to this treaty.
 3. It did not encourage friendly feeling between the two countries, for,
 4. The treaty was extremely one-sided. All the advantages in the treaty went to Canada.
 - B. Reciprocity treaties negotiated under the McKinley Acts have been failures, for,
 1. They have not increased our export trade.
 2. They have absolutely failed to produce any desirable results whatever.
 - C. Reciprocity treaties negotiated under the Dingley Acts have not been successful, for,
 1. They have failed to increase our export trade.
 2. They have failed to check the high cost of living.
- II. The reciprocal policy will not benefit the ultimate consumer, for,
 - A. Practically all the products that would be involved are now controlled by trusts. The trust will be benefitted, not the consumer, for,
 1. The trust can regulate the price which the consumer has to pay.
 - B. On those products not controlled by trusts, the reductions, if any be made, would go to the manufacturers and the middlemen, for,

1. Such reductions would be on raw materials that must be further handled by manufacturers and middle men; not on articles directly usable by the consumer.
- III. Reciprocity would not increase our markets, for,
 - A. The reductions on manufactured goods would be slight, for,
 1. Proposed treaties have provided only for slight reductions.
 2. General reductions would affect our "most favored nation" clause in treaties with other countries, and compel us to grant similar reductions to all nations.
- IV. The reciprocal policy would deprive us of markets abroad. For example, the adoption of the policy with nations in the western hemisphere would arouse hostility in the eastern hemisphere.
 - A. It would hasten the adoption of a protective policy in England, for,
 1. English statesmen, such as Balfour and Chamberlain, have stated that such action on the part of America would result in an English protective system being adopted.
 - B. It would hasten protection in Germany, for,
 1. German legislation is already tending in the direction of protection against American goods.
- V. The reciprocal policy would injure our home markets, for,
 - A. The reduction of import duties into the United States would enable other nations to compete in our home markets in products in which they could not otherwise compete.
 1. This would be true of lumber, wheat, barley, etc.
- VI. The reciprocal policy would result disastrously from an industrial standpoint, for,
 - A. It will mean a considerable loss of revenue, for,

1. The United States will be compelled to remit large sums now secured as duties.
- B. It will destroy our fishing industry, for,
 1. Foreign fisherman work for less wages. Their vessels are operated at less expense.
 2. It would throw American fishermen into competition with cheaper lands, lower rates, lower wages, and lower cost of living.
- VII. Reciprocity is the wrong method of adjusting our tariff, for,
 - A. It is unscientific, for,
 1. It invites no general investigation of our complex tariff system.
 - B. It tends toward free trade, for,
 1. Its basic idea is to break down the tariff.
 - C. It is but a temporary arrangement, for,
 1. Reciprocal treaties cover short periods of time and may easily be revoked.
 - D. It sacrifices one industry at the expense of another.
 - E. It is a discrimination against all other nations for the benefit of the one with which the treaty is made.
 - F. It tends to postpone a scientific adjustment of our tariff schedules.

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GENERAL DISCUSSION

Reciprocity. Chapter I.

Laughlin & Willis.

The term "reciprocity" as now currently used is employed in most cases with only a vague or very general notion regarding its meaning. In current speaking and writing it usually implies no more than the bare notion of tariff reductions made by some specified nation or country in compensation for some reductions made in favor of such a nation by a second. The actual definitions of the word now given vary widely, both in definiteness and in what they connote regarding the nature and desirableness of the policy to which they relate.

In the most general sense, the definition furnished by President Hadley may be accepted. According to him: "Reciprocity is a relation between two independent powers, such that the citizens of each are guaranteed certain commercial privileges at the hands of the others." It thus appears that he makes no effort to confine the term to tariff matters, but regards it as representative of a broad aspect of commercial policy. In this view of things a mutual grant of "privileges" is the essence of the reciprocity idea.

A further attempt is made to define reciprocity when it is

specified that the "privileges" to be granted must be equivalent. Thus one recent writer, basing his definition upon a study of the public papers of the presidents of the United States, remarks:

"Reciprocity is the granting by one nation of certain commercial privileges to another, whereby the citizens of both are placed upon an equal basis in certain branches of commerce."

Most of those who attempt to define the term are not content with specifying that the word reciprocity means a mutual grant of commercial privileges and that such grants must be "equivalent," but attempt to confine the word to tariff concessions purely. Thus, according to one authority, reciprocity is:

"A term for an arrangement between two countries having a protective tariff against other countries, to admit each into the other's territories certain specified taxable articles of commerce duty-free, or at exceptionally light duties. The classes of articles are arranged to balance one another on one side and the other. Such mutual arrangements are sometimes called Fair Trade, as opposed to free trade and thoroughgoing protection."

This definition may be taken as aptly descriptive of the general notions on the subject of reciprocity. It implies nothing with regard to modifications of the relations between either of the contracting parties and any third, and offers merely a description of the act involved in the adoption of a reciprocity treaty by the two parties to it.

A review of commercial history will show clearly what the term reciprocity meant when first used and will furnish the means for a better comprehension of its modern significance. It was first properly employed in connection with the "navigation system." During the eighteenth century an elaborate scheme of shipping restrictions had grown up. These restrictions sought to compel trade to travel in bottoms belonging to the nation which enacted the navigation laws. So general were the restrictions imposed by these laws that it finally became apparent that the system was proving hurtful instead of beneficial to shipping interests. The efforts made by various countries to hamper each other's trade resulted in almost as much injury to the attacking country as to its antagonist.

The first breakdown came shortly after the American

Revolution when England, by the order in council of July 2, 1783, decided to put American ships upon the same footing as British so far as concerned direct trade with the mother country. This step was not taken from any humanitarian motives, but was solely due to the fear that a failure to concede the point would result in a loss of the large trade with the former colonies. By the same order in council, however, which relaxed the particular provisions of the navigation laws already referred to with regard to the United States, trade with the West Indies was confined to British ships, the design being to deprive the United States of the benefits of this traffic and to divert it to British North America. This policy led to sharp protests from the West Indies themselves and from various British interests which felt themselves to be imperiled. Nothing of any importance, however, was done until after the war of 1812. In 1815, a treaty was concluded between Great Britain and the United States by one clause of which it was agreed that the ships of neither nation should be liable to greater charges in the ports of the other than were exacted by such nations in its own ports.

The credit of making the first considerable breach in the old policy is due to Huskisson. He vigorously attacked the navigation policy. In 1822 acts were passed which permitted the colonies of Great Britain to export their produce under much more favorable terms, and gave to foreign countries greater liberty in the carrying trade. A more important victory came in 1823 when by an act of that year it was declared that any country might export goods to British colonies in its own as well as in English bottoms. The act, however, stipulated that the privileges therein granted should be met by corresponding treatment on the part of the countries enjoying its advantages. Thus was developed the policy which first became known as reciprocity. It will be observed that it consisted essentially in a relaxation of the excessive protection accorded by the navigation laws to shipping. Then, as now, any reduction of protection was met by loud outcries on the part of certain protected interests. The real

circumstance which had compelled the relaxation of the protection to shipping was the fact that this excessive protection bade fair to impede the progress of all other branches of commerce, and even, through this means, to destroy the shipping industry itself. The competition in the carrying trade to which English vessel-owners were just then, for the first time, exposed was the real cause of the depression in shipping—a depression which would have become worse had it not been for the introduction of the reciprocity policy. Huskisson himself showed in his great speech in the House of Commons, May 12, 1826, that the change in the navigation laws and the reciprocity policy were the direct result of petitions from a certain section of the shipping interests and after an examination of persons engaged in the shipping trade.

The antagonism of the vessel-owners to reciprocity as applied to shipping was unable, however, to check the then rising tide of opinion in favor of free trade and free commerce. Navigation in British ships actually increased between 1821-1822 and 1830-1831 thirty-six per cent. The amount of goods passing from country to country in British ships employed in the foreign trade increased forty-eight per cent., British tonnage engaged in the colonial trade increased twenty-seven per cent. and foreign tonnage employed in trade with Great Britain increased sixty-nine per cent. With the growth of British manufacturing came the need of closer reliance on foreign countries for raw materials. Foreigners were, for a long time, large buyers of English manufactured goods. Everything conspired to make for free trade in shipping, and freedom of navigation tended to promote the idea of greater freedom in regard to customs duties. It was to be expected that the success thus experienced in consequence of the removal of trade restrictions would have been influential in removing the prejudice in favor of a high-tariff policy. All over the world, the tendency toward free trade was growing stronger.

The organization of the German Zollverein extended the notion of reciprocal concessions in regard to ships to the

movement of goods between states whose interests would be helped by mutual freedom of exchange. This tariff union, which was established in 1824, had the effect of greatly increasing the trade between the German States. It led directly to inquiry on the part of foreign countries as to whether it might not be possible to inaugurate customs unions of the same sort which would have an equally favorable influence in developing foreign trade. The movement thus begun gradually developed into the free trade era which continued to 1870. Great Britain repealed the corn laws during the years succeeding 1846, and in 1860 negotiated a treaty with France which contained liberal commercial concessions on exports and imports and removed all the prohibitions theretofore resting upon the commerce of the two countries. Following this treaty, some twenty-seven other arrangements were negotiated between the European states, granting commercial concessions. By reason of the fact that they incorporated the so-called "most favored nation clause", of which more will presently be said, the concessions embodied in the treaties became generally accepted among the European states and created a strong movement toward an almost absolute freedom of exchange. It needs hardly to be said that, under these conditions, the prosperity of European trade increased enormously. The commerce of Austria, Belgium, France, Holland, Italy, and Great Britain grew between 1860 and 1873, more than 100 per cent., while the trade of the same countries with nations not having reciprocity treaties with them increased, according to Mr. David A. Wells, only about sixty-six per cent.

In the United States, the movement toward free trade continued to move along somewhat the same lines as those pursued by the European countries. Clay's American system, which was enacted into the tariff of 1824 and modified by the act of 1828, had hardly become thoroughly established when it began to crumble. The movement toward more liberal customs legislation practically culminated in the less highly protective tariff of 1846, which was later completed in detail by that of 1857. With the Civil War a new era began.

Throughout the whole of this antebellum period, the notion of reciprocity, as a policy, received considerable attention. It was vigorously advocated in certain quarters and as vigorously opposed in others. Webster was one of the principal opponents of the system, and he even antagonized the idea of reciprocity as applied to shipping.

Owing to the prevalence and growth of the free trade spirit, however, the reciprocity advocates had decidedly the upper hand. It was urged that reciprocity with the German Zollverein should somehow be introduced. Should such an arrangement be put into operation, said these advocates, it would be possible to sell American raw materials to much better advantage, as well as in larger quantities. On the other hand, reciprocity with Germany would open an opportunity for the purchase of manufactured articles cheaper than they could be had in Great Britain or France, while the nature of the German tariff was said to be such that the treaty would afford stronger guarantees of permanency than similar arrangements with either of the other countries referred to. Moreover, it was believed that a reciprocal treaty with the Zollverein should doubtless have the effect of forcing Great Britain to come to similar terms. As a result of this agitation, a treaty was actually negotiated in 1844 between the Zollverein and the United States, but like a later treaty with Mexico, was rejected by the Senate. This rejection was made on the ground that the President had exceeded his executive authority and that he had no right of his own motion to enter into such arrangements with foreign countries, the legislature being the department of government by which revenue laws should be passed. Thus precisely the same criticism was offered upon the action of the executive in negotiating the Zollverein treaty which has been so frequently urged within the last year or two by members of the House of Representatives. They doubt the right of the treaty-making power to enter into agreements with foreign powers that may conceivably result in infringing upon the authority of the lower house to pass revenue measures.

For the sake of our foreign trade it was greatly to be re-

gretted that the Zollverein treaty was not put into operation. By the terms of that treaty, articles imported to the United States were divided into three classes, one of which was to be taxed at a rate not exceeding twenty per cent. ad valorem, while a second was dutiable at fifteen per cent., and a third at ten per cent. Duties on wines imported from Germany were not to be raised above the level existing in 1844. In return for this concession, the Zollverein agreed to reduce the duties on American tobacco and lard and to maintain the tariff on rice at a point no higher than it then had reached. Unmanufactured cotton was to be free. A reminiscence of the earlier restrictions on shipping was found in the provision that the tariff reductions were to apply only to goods laden on vessels of one of the contracting parties, or on vessels which had by treaty been placed upon the same footing as national vessels, and in any event the goods must come directly from the ports of one party to those of the other. Just how far the rejection of this treaty was actually due to the constitutional reason assigned in the Senate debates it would perhaps be difficult to say. The probability, judging from all contemporary evidence, is, however, that the reciprocity treaty with the Zollverein came too early in our free-trade movement and met the usual fate of pioneers in such fields. Its defeat was doubtless due in large measure to precisely the same causes which, during the past three years, have prevented the acceptance of any of the reciprocity treaties negotiated by Mr. Kasson, the Special Commissioner appointed by our government not long ago to negotiate for commercial advantages. Then, as now, the constitutional argument was a plausible and soothing apology for a refusal largely dictated by the wishes of interests which feared to find their profits reduced by foreign competition.

Reciprocity agitation very shortly assumed a new form. The idea came into existence that there might be developed on this side of the ocean a commercial union which should include the whole North American continent. In order successfully to work out such a union, it was necessary to make suitable reciprocity arrangements with Canada on the North

and with Mexico on the South. Thus there would be developed a commercial system somewhat analogous to that which had been produced in Germany by the establishment of the Zollverein. Instead of continuing the effort to get into commercial relations with the European customs union, we should have a customs union of our own. The first negotiations looking to this end were naturally directed toward Canada. From 1846 on, the idea was actively discussed on both sides of the border and finally culminated in the Canadian reciprocity treaty of 1854. This agreement managed to prolong an existence of about twelve years, when it was finally overwhelmed by the rising tide of protectionism and the commercial jealousies and political hostilities of the time. Its history will be reviewed in a subsequent chapter.

Having established satisfactory relations with Canada, it remained only to unite ourselves with Mexico on the same principles, in order to realize the idea of a customs union comprising the North American continent.

Our experience with the Zollverein treaty was repeated in connection with negotiations with Mexico late in 1859. It will be convenient to anticipate the historical course of events and refer briefly to the Mexican experience at this point. The Mexican treaty was negotiated by Mr. McLane, then Minister to Mexico. It was designed to promote friendly relations with that country, and in a measure soothe the bad feeling which still existed as a consequence of war with the United States, by opening up a profitable field of trade. The treaty in the form in which it was submitted to Congress contained a list of articles from which that body was to be allowed "to select those which being the natural industry or manufactured product of either of the two republics may be admitted for sale or consumption in either of the two countries under conditions of perfect reciprocity whether they be considered free of duty or at a rate of duty to be fixed by the Congress of the United States, it being the intention of the Mexican Republic to admit the articles in question at the lowest rate of duty, and even free, if the Congress of the United States consents thereto." Doubtless

under ordinary conditions this treaty, notwithstanding its extremely liberal character, would have been ratified, for the free trade spirit exemplified in the tariff act of 1857 had then gained so much headway in the United States that it would probably have been able to carry the day. The threatening political situation and the fact that the Democrats naturally supported the idea of freer trade with Mexico tended, however, to divide the Senate on partisan lines and the proposal was defeated by a strict Republican vote.

In order to understand the subsequent development of our tariff policy, it will now be necessary to deal briefly with one aspect of the reciprocity system viewed from the standpoint of international law. We have seen that, as the European countries gradually developed the reciprocity idea, they did so in accordance with the diplomatic principle known as the "most favored nation" theory. This principle was worked out along two radically different lines in Europe and in the United States respectively. That divergence led to an attitude on the part of European countries toward our later reciprocity agreements, different from the one which was adopted by the United States, and has given rise to some friction. This has worked in certain minds against further extension of reciprocity agreements. Inasmuch as the two different conceptions of the most favored nation clause became thoroughly established during the first half century of our national life—the period during which, as we have seen, the reciprocity and free trade ideas originally developed—it seems convenient to deal with the divergent interpretations of the most favored nation clause at this particular point.

Early commercial treaties were negotiated by European nations in strict accordance with the idea that every concession granted by one country to any other should be given only in exchange for similar concessions in return. In other words, the negotiation of commercial treaties was a sort of bargaining process in which either nation might be overreached by its antagonist. The object to be kept in mind by either party was the negotiation of an agreement as favorable to it as circumstances, and the relative acuteness of the

other, would allow. It is evident that, supposing two nations, A and B, to have negotiated a commercial treaty granting certain privileges by mutual agreement, B might be at a considerable advantage with respect to a third nation, C, in competing for the trade of A. If subsequently, therefore, an agreement should be entered into between A and C, whereby more elaborate concessions were allowed C than those which had been gained by B, it might turn out that B would not merely be outstripped by C in the competition, but might even be worse off than would have been the case had no treaty been originally negotiated with A. It was this situation which led to the development of the most favored nation clause. Under it, states sought to obtain guarantees that, in case future commercial concessions should be offered to their competitors, they themselves would, *ipso facto*, come in for the enjoyment of the same concessions. Thus, if the two nations, A and B, had entered into a commercial arrangement, into which the most favored nation stipulation had been incorporated, any subsequent treaty entered into by A and C, in which larger concessions were granted, C would, by the nature of the case, extend those concessions also to B. Now, it is clear that the interpretation to be placed upon the clause might be such as to extend those concessions to B, only in case B should pay for them by the same return concessions granted by C, or should simply be permitted to enjoy them without any further payment than that already arranged for in the original A and B treaty.

Writers on international law distinguish several different forms of the "most favored nation clause." They enumerate more particularly the so-called "simply reciprocal form" and the so-called "imperative and unconditional form." In the first, "where reciprocity is the foundation of every clause in the treaty dealing with a subject of commerce and navigation, the inference points to reciprocity as the foundation for the general covering clause which is to supply omissions and prevent future unfavorable discrimination." Under the other interpretation, the commercial favors are granted to all

countries under the most favored nation clause "immediately and without condition;" in other words, without compensating privileges offered in return. It is easy to see how nations like Great Britain, which have adopted free trade as their policy and which have, as a matter of fact, nothing to offer in return for a reduction of duties, would be likely to insist strenuously upon this second interpretation.

The "simply reciprocal form" of the most favored nation clause is, of course, the one to which the United States has consistently held. It has, from the beginning, adhered rigidly to the view that trade concessions offered by it to some other country need not become common to a third country with which we had treaty relations involving the most favored nation clause, unless that third nation should meet us on our own ground by granting the same favors that we secured at the hands of the other nations with which we had entered into treaty relations. In the treaty negotiated between the United States and France, February 6, 1778, the following words occur:

"The most Christian King and the United States engage mutually not to grant any particular favor to other nations in respect of commerce and navigation which shall not immediately become common to the other party, who shall enjoy the same favor freely, if the concession was freely made or on allowing the same compensation if the concession was conditional."

In Art. IX. of the treaty with Prussia, in 1828, and in Art. IX. of the treaty with Austria, in 1829, occur the words:

"If either party shall hereafter grant to any other nation any particular favor in navigation or commerce, it shall immediately become common to the other party, freely, where it is freely granted to such other nations, or on yielding the same compensation, when the grant is conditional."

On the other hand, European diplomacy has developed the interpretation of the most favored clause along a different line, following out the second of the two interpretations already referred to. As things now stand, most European countries admit that nations which have granted to other nations the benefits of the most favored nation clause have guaranteed to them that their commercial relations shall not be less favorable with it than shall those of any other country. In other words, new and more extensive trade concessions granted by country A to C, a third nation, are, *ipso*

facto, extended to B, a second nation, with which it has originally entered into commercial relations, while B obtains these advantages without compensation even though they may have been paid for very heavily by C. This, of course, is a marked reversal of the original interpretation given to the "most favored nation clause", during the eighteenth and the first half of the nineteenth century. It is a most important point to bear in mind, in studying the development of reciprocity as a policy, for it will readily be seen that the adoption of the European interpretation of the most favored nation clause implies either the giving up of all commercial treaties, or else the conscious recognition of tariff reduction as a system to be regularly applied whenever granted in an individual case. Reciprocity, when limited to isolated instances, becomes nothing more than a matter of international bargaining, which may or may not be undertaken according as the circumstances of the particular case seem to indicate.

It is apparent that the United States in maintaining its own interpretation of this clause, reserving the right to grant tariff concessions only in return for certain other concessions, and the right to decide whether concessions offered by other countries are equivalent to those obtained from any particular country, occupies a vantage ground as compared with a group of nations adhering to a different interpretation and granting to us the advantages of the clause which we, however, deny to them. All of this has led to exceedingly unfavorable comment on the part of European countries which regard our attitude on the subject of the most favored nation clause as characteristically selfish.

With the repeal of the English corn laws about 1846 came a period of considerably greater relaxation in trade regulations. The more liberal spirit which thus was beginning to find its way into European legislation continued to grow until about 1860, when it broadened into a general European movement toward a much freer tariff policy. In that year, a treaty negotiated between Great Britain and France contained liberal concessions on goods exported by the con-

tracting countries, and removed all of the prohibitions previously laid on certain kinds of traffic passing between them. On the basis of the principles accepted in this treaty, there grew up an elaborate system of agreements between the several European states. These agreements granted commercial concessions which, by reason of the fact that they were subject to the "most favored nation clause," became generally applicable to European commerce and led to a condition bordering upon freedom of trade.

Commercial development under these treaties was unexpectedly favorable. The trade of Austria, Belgium, France, Holland, Italy, and Great Britain increased more than one hundred per cent. from 1860 to 1873, while the trade of the same countries with nations which had not entered into reciprocity treaties with them increased only sixty per cent. In this way, a policy which was at least analogous to reciprocity gained ground and seemed to meet with unexpected success. It undoubtedly gave general satisfaction within the countries which were affected by it. Yet it was not long before a distinctly new tendency became apparent. In the years immediately following the crisis of 1873, there began a definite and very general reaction from free trade. This reaction came on insidiously. In part, the higher tariff policy, which was then initiated, was due to the Franco-Prussian war, which produced increased expenditures and heavier indebtedness in consequence of the necessity of maintaining heavy armaments. Thus, increased taxation was required. Moreover, it is maintained by some that the new modes of production which were then gaining the ascendancy led to maladjustment, and brought about a struggle to dispose of certain kinds of goods which were being freely manufactured by all countries, and which, it was supposed, were in danger of overproduction. In consequence of this movement, came a demand for protection, in order that the producing interests of the several countries might be safeguarded in the control of their own markets. Thus there gradually grew up a systematic attempt to encourage domestic manufactures by the levy of protective duties. At the same time, side by side

with the protective movement thus sketched, there was noted a tendency to develop certain kinds of industry by the payment of bounties on articles of domestic production or by subsidizing vessels built for foreign commerce. These tendencies were not exclusively confined to Germany and France, although, of course, the effects of the Franco-Prussian war were felt with the greatest intensity in those two countries. The reaction from free trade spread throughout the whole of Europe, and by 1880 was in full swing. Some of the smaller states merely imitated the example of the more powerful. Others attempted a system of retaliatory legislation, thinking to break down the duties of their antagonists, while others fell into the belief that their producing interests would be best served by protection irrespective of the policy of other countries.

In 1879, Germany adopted an elaborate new tariff, modeled upon the idea that she had certain paramount economic interests which must be cultivated. These interests were supposed to center about the production of grain, on the one hand, and about sundry extensive manufacturing industries on the other. The tariff adopted under these circumstances was not a system of high duties universally applied to all imported goods without exception. It aimed only to further the particular interests in question by the imposition of duties upon products likely to compete with them. At the same time, a strong effort was made to prevent other countries from retaliating by the imposition of discriminating duties upon German exports. The various political disturbances which occurred subsequent to 1880 furnished opportunity for Germany, by throwing her political influence into the scales, to overbalance the economic interests of sundry smaller countries, and to get low rates of duty without promising to admit the products of those countries on similar terms. So, also, in Austria, the tariff revision act of 1879 was a step in the direction of protection, although the legislation was still moderate. The tariff acts of 1882 and 1887 carried Austria still further in the direction of higher duties. Italy had much the same experience. Starting with fairly liberal

legislation in 1878, the schedule of duties adopted in 1883 and subsequently modified in 1887, swung to the farther extreme of protection, in many instances going almost so far as to prohibit trade. In Spain a protectionist party succeeded in adopting high duties as early as 1877, and various other European countries of the second class followed suit. By 1890 most of them had come within the protective boundary. In France a similar reaction was in progress. Duties were materially raised at various times during the later seventies. In 1881 came a vigorous effort to secure the adoption of a maximum and minimum tariff system. Russia, while introducing fewer changes into her protective system than had been made by the other countries, enforced a fairly high schedule against the rest of Europe down to 1893, with few, if any, discriminations. England alone, among the important European countries, maintained her determined free trade attitude, and was imitated only by Norway and Holland among the states of secondary importance.

The system thus inaugurated in the seventies, and carried out during the eighties, very early produced distinct results. Assisted by the bounties and subsidies granted to favored interests, the high tariffs already considered lead to serious complications, and tended to promote the existence of overgrown industries, which were supported only by heavy taxation of the consumer, and which resulted practically in supplying goods to the foreigner at absurdly low rates. Of this kind of development the sugar industry furnishes a classical example, but it was not the only industry which suffered from the unhealthy stimulus given to it by the duties and bounties which were supposed to favor it. The several states began to feel keenly the need of some policy which would enable them to buy off other countries from the enforcement of retaliatory duties against them. Hence, arose a system of commercial treaties, by which it was undertaken to make bargains designed to relieve the strain of retaliatory duties imposed in return for the heavy taxation with which the products of the different nations had been burdened. By the

opening of the last decade of the century, the industrial system of Europe had become a tangle of overlapping and interwoven commercial agreements.

It was necessary to find some way of relieving the confusion into which commercial conditions were rapidly falling. The decade 1890-1900 is characterized predominantly by efforts of this kind. It was necessary for each country to reckon with:

(1.) The interests of the overgrown industries which had been stimulated by the protection previously granted.

(2.) The interest of the general producing classes of each country, which were likely to find themselves cut off from foreign markets, should foreigners be stung into retaliatory measures.

(3.) The most favored nation clause, which had become a fundamental maxim in European diplomacy, developing along the lines already traced in the earlier portion of this chapter.

These conditions were met in various ways. Yet analysis shows that the tariff systems adopted after 1890 may be classified for the most part under two heads, the so-called "general or conventional" tariffs, and the "maximum and minimum" systems.

The characteristics of a maximum and minimum tariff system are found in the fact that instead of having two rates for a few articles, it has two rates on most articles on which duties are imposed at all. For this reason, it is frequently called the double tariff system. "In the application of these rates, the maximum schedule corresponds to the general schedule, and the minimum schedule to the conventional schedule of the * * * (conventional tariff system), since the minimum rates are given only to those countries which receive the most favored nation treatment. The characteristic difference between the two systems, however, arises from the difference in their origin. The minimum schedule is not drawn up by negotiations between the executives of two countries, but is framed by the legislative body at the same time that the maximum schedule is made. That is, the

legislative power fixes two rates of duty on each article in the tariff. The higher rate is the one which fixes the maximum extent to which those articles may be taxed on entering the country; the lower or minimum rate is the one which fixes the minimum extent to which the duty may be lowered. If it is desired to make commercial treaties at any time, these two rates show the exact limits between which the treaty rates are to be fixed.

At the present time, the maximum and minimum system has been most generally adopted in Europe. It is employed by France, Russia, Spain, and Norway, as well as by Greece. In South America it has been adopted by Brazil. France adopted the plan in 1892, and Spain gave in its adherence at about the same time. Russia followed the French example in 1893 and the other countries came into line somewhat later. Of the countries which now employ the maximum and minimum system France is perhaps the most prominent. It was sought to secure the introduction of the system in that country from 1870 to 1881, but all efforts in this direction failed. Not until after 1890 did the protectionist spirit in France become strong enough to furnish adequate support to the effort to secure the introduction of the maximum and minimum system. There had been intense dissatisfaction with the commercial treaties which had preceded the introduction of the maximum and minimum tariff, and the bill prepared by M. Méline, which was adopted in January, 1892, was intended to take the place of tariffs already in existence. The end apparently in view was to limit the executive authority by preventing it from cutting below certain rates, which might not be reduced in any attempt to get into closer relations with other countries. In other words, it was sought to fix a general level of duty below which home industries could count upon receiving absolute protection without any interference from troublesome commercial agreements that might be entered into by the administration. In M. Méline's bill, by making a large difference between the rates of the maximum and those of the minimum schedule, it was also attempted to induce foreign countries to buy French trade

concessions. Thus, if foreign countries should not choose to enter into amicable commercial relations, enabling them to get the advantage of the minimum rates, the result would be that they would suffer a very heavy disadvantage with reference to their competitors in French markets. M. Méline's object seems also to have been to make the schedules of the maximum and minimum tariff as inclusive as possible, because by that means it might be practicable to compel other countries to grant low duties in return for the minimum rates if they wished to trade with France at all.

At the present time there is a difference of about twenty-five per cent. between the French maximum and minimum rates. The maximum rates, for instance, would be one hundred and twenty-five when the minimum rates are one hundred with reference to the value of the commodity on which they are levied. In the tariff bill of 1892 it was ordered that the minimum rates should be granted to all countries which, before that date, "had enjoyed the conventional tariff and which after that date had given French commodities the most favored nation treatment." "Portugal was subjected to the complete maximum tariff and the United States to a part of it."

The general idea upon which the maximum and minimum tariff systems seems to have been adopted by France was, that the system of commercial treaties containing special provisions is now practically dead, and that it would not be wise for any country, therefore, to continue the use of them. It had been found that the making of the treaties on special terms with foreign countries almost inevitably resulted in irritating discussion as to tariff rates at short intervals, and as a consequence led to continual disturbance in the tariff system. It was supposed that by fixing the minimum rates which could be granted to foreign countries, and then authorizing the executive to arrange matters as he might see fit, subject to these limitations, the most favored nation difficulty would be avoided, and it would be possible to enter into agreements with foreign countries whereby concessions would be gained for French goods. All foreign countries

would thus be placed on equal terms, and at the same time the fears of the domestic producer would be relieved, since he would now enjoy protection through the assurance of, at all events, the minimum tariff rates.

On the other hand, the so-called general and conventional tariff system is based upon the origin of the goods imported from different countries, and distinguished between goods according to the source from which they are imported. Inasmuch as it is nearly impossible under European conditions to adopt a general tariff and maintain this tariff without change, it practically results that there must be an understanding between the countries which have commercial relations with each other. Supposing that a treaty has been made by the terms of which some general tariff concession, or reduction, has been made, this implies an alteration in the existing tariff rates. Should such rates be substituted for the duties comprised in the general tariff, there is no change in the system. As a rule, however, the granting of the new rate to any country implies the establishment of a new schedule for practically all goods. The original or general tariff is then applied to those countries which have entered into no special commercial arrangement while the new schedule is applied to those which have received the most favored nation treatment. In the latter case, a special or "conventional" tariff is established. It thus appears that two distinct schedules of duties have been created by such a tariff system. To the countries which receive the most favored nation treatment, there is practically guaranteed a certain lower schedule of duties, which the country granting them is under obligations never to raise during the life of the commercial treaties between it and its fellow powers. The general tariff duties being thus matters in which the most favored countries have no direct interest, may be raised at will by the country which has established them since such action on its part is of no consequence to its treaty associates either one way or the other. As for the countries which do not receive the most favored nation treatment, they have no ground of complaint concerning the raising or

lowering of the tariff, since they have entered into no treaty agreements whatever.

It will be seen that a tariff of the kind already described rose up under the influence of the interpretation of the most favored nation clause, already sketched, in a natural way. That is to say, a tariff is first established; then a commercial treaty is entered into with some foreign country by the terms of which duties are lowered in exchange for concessions on the other side; then these lowered duties are, of course, automatically extended to any country which may receive the most favored nation treatment. Supposing there are no countries already entitled to this treatment, it happens that in case of any future treaties the agreement, made on the basis of the most favored nation clause, automatically proceeds upon the lines laid down in the first commercial treaty as already described, since that treaty is evidently one which extends the most favorable treatment to foreign countries. In case it is found desirable in the later treaties to add articles to the list on which concessions are made, as previously established, in the first treaty, it is easy to see that by the most favored nation principle once more, the country having entered into the original treaty also gets the advantage of the gains later made by other countries. In consequence of these conditions it naturally results from the adoption of a considerable number of treaties that a lengthy, if not all-inclusive schedule of duties, is made up, applicable to all nations which enjoy this particular kind of treatment. The main feature of the system is that the schedule of duties has been produced as a result of negotiations, made first with one country and then with another. The duties are adjusted to the particular needs of the several countries entering into these treaties, but are finally amalgamated together into a lengthy schedule which can be taken advantage of by practically all of them.

Under these circumstances, it is clear that the original tariff charged by the general schedule becomes nothing more than a ground for argument. In order to obtain a vantage-point from which to make concessions it customarily hap-

pens that the rates of the general tariff are fixed abnormally high in order to afford a basis of concession. At the present time, the tariff system thus set forth is in vogue in Germany, Austria, Switzerland and Italy. Germany has now entered into commercial treaties with foreign countries, carrying out the system just described and numbering no less than twenty-eight in the most favored nation class. She has also eight special tariff treaties in which tariff agreements are particularly made. Thus the most favored nation clause is the key to her commercial policy, since through its agency in the twenty-eight treaties already referred to, the conventional tariff duties have been applied to imports from this long list of countries.

According to a recent summary, the commercial treaties now in existence between Germany and other states may be divided into four classes as follows:

1. Treaties with tariff agreements and with clauses providing for the most favored nation treatment. These treat in a detailed manner of the important features of the commercial relations of the two states, insure to the merchants and their goods the treatment accorded the most favored nation; they also contain clauses fixing (or "binding," as the European writers term it) the rates of the tariff in their own general schedules, diminishing those rates or guaranteeing that they shall not be changed. These treaties are usually termed "tariff treaties," as the tariff agreements are the principal feature of the treaty, and the most favored nation clause is regarded as a matter of course. These treaties are usually made between countries which have a highly developed commerce with each other, and which desire to stimulate this intercourse. To this class of treaties belong those which Germany has made with Austria, Russia, Belgium, Switzerland, Italy, etc.

2. Treaties with tariff agreements, but without a clause providing for the most favored nation treatment. This variety of treaty is usually preferred by countries which do not admit the principle of unconditional most favored nation treatment. Tariff conventions, however, are considered as a

higher mark of international comity than the simple guaranty of most favored nation treatment, and hence the former usually includes the latter. For this reason the treaties which the United States has made with France and Italy contain certain tariff agreements, but do not contain the European (unconditional) most favored nation clause.

3. Treaties without tariff agreements, but with a most favored nation clause. These treaties are usually composed of a few general provisions in which the contracting parties assure to each other the treatment accorded to the most favored nation. They are usually called "most favored nation treaties", because this clause represents the entire value of the treaty. Since 1860 this class of commercial treaties has been by far the most numerous of the treaties made in Europe. They are made in cases where the commercial intercourse between two countries is not extensive enough to make tariff agreements profitable or where such agreements cannot be reached for other reasons. On January 1, 1901, Germany had only eight tariff treaties, while she had twenty-eight most favored nation treaties.

4. Treaties with neither tariff agreements nor the most favored nation clause. Such treaties contain general regulations concerning the commerce between the two states, and are made only with such countries as are partially open to European commerce: Germany, for instance, has made such treaties with China, Korea, Siam, and the Kongo Free State.

In England, of course, a different idea has been in control. The events of the past few years have had no inconsiderable effect in weakening the adherence to free trade principles which has been so characteristic of that country throughout the latter half of the nineteenth century. The utter isolation of England in consequence of the rising tide of protectionism on the Continent as well as in the Western Hemisphere, the increasing competition in foreign markets, and the decreasing superiority of English-made goods have together led to a certain revival of the belief that tariff duties may be used as a threat wherewith to force other

countries into acting in a way that would throw their markets more widely open to English goods. The agitation for "fair trade" as against "free trade" has attained some strength. It has been demanded by some that tariff duties should be imposed upon goods coming from all those countries which decline to make equal concessions to the goods of Great Britain, and that free trade privileges should be offered only to those countries which accord the same treatment to British goods. In other words, what we call reciprocity has in England taken shape in the notion of "fair trade", by which is meant the policy of doing to other nations what they are actually doing to the home country—taxing their products as highly as they tax English goods and no more. No special basis of application to certain particular commodities is in this conception given to reciprocity. The high or low rates of duty, as the case may be, are to be charged and paid upon all goods which are subject to such high and low rates abroad. Reciprocity here becomes largely a notion of retaliation. The tariff system to be adopted by England, as outlined by the "fair-trade" advocates, is made to depend upon the conglomerate tariff system adopted by the great variety of countries with which it may happen to be trading.

As is well known, the United States did not pass through the extended free trade period which was enjoyed by the countries of Europe. The Civil war blighted the free trade movement here by the necessity for higher duties, just as the Franco-Prussian war later blighted it in Germany and France by exigencies of a similar kind. We continued our high tariff policy, failing to reduce the duties of the war as had been promised at the time of their passage, and we only aggravated the older schedules by the tariff of 1883. With the passage of the McKinley act in 1890, we continued the later protective regime which has lasted, with but a short interval, until the present time.

Yet, even the United States felt the pressure of the protective principle in the same way, although not to the same extent, as the European countries. The absence of subsidies and bounties from our commercial legislation prevent-

ed the protective system from developing to the full extent which characterized it in Europe, while our economic position was not such as to force us to depend upon others to the same extent as many of the European countries. As the protective system attained greater and greater strength abroad, American producers felt themselves subject to restrictions of increasing severity. The heavy duties imposed on our goods when entering European countries seemed to make it increasingly difficult for us to extend our markets. In South America we keenly felt the competition of Europeans, partly on account of their cheaper processes of production and partly because of the assistance granted European merchants by commercial legislation which enabled them to sell some of their goods more cheaply abroad than they did at home. We had already tried reciprocity with Canada, and later what passed for reciprocity with Hawaii, but we had never given any extended scope to the doctrine. Not until we began to feel the pressure of competition and to recognize that our merchants, too, might be able to enter successfully into international competition, should circumstances be made favorable, did reciprocity as a self-conscious system gain a considerable support. From 1884 onward it definitely increased as a popular movement, paralleling the growth of the system of commercial treaties, whose development among the European countries has already been outlined. Like them, it was an effort to get away from protection, so far as that policy necessitated loss of markets, and discrimination in duties.

It is now possible to see what is the true place to be assigned to a reciprocity policy in the general scheme of tariff relations between the countries of the world. As compared with France, which has its maximum and minimum tariff system; with Germany, which has its general and conventional schedules; with Great Britain, which has practically no tariff at all, the United States appears as a country possessing a general tariff, nominally offering to modify this tariff by special commercial agreements made according to the current demands of expediency, and holding out various

sorts of advantage, first to one country and then to another. It is true that the provisions of the two tariff acts framed by Messrs. McKinley and Dingley laid down a basis for reciprocity in certain instances which should be uniform in its application to foreign countries. The tropical reciprocity of the Dingley act, like that provided for in its predecessor, was established upon uniform and recognized bases. But the Dingley act also, as will be seen, provided for the making of agreements with foreign countries which were to be shaped in accordance with the wishes of those who negotiated the treaties. It was scarcely to be expected that any uniformity could result from treaties subject to the necessities and to the demands of expediency which would apply in this work. One who examines the reciprocity treaties now pending before the Senate will readily understand how it has resulted that the reciprocity of to-day is no more than a jumble of tariff concessions, dictated upon no logical principles and subject only to the requirements of the negotiator. We appear before the world in the light of one who seeks to drive as good bargains as possible with his fellows, but who strips these bargains even of any semblance of equity they might otherwise have by concluding other bargains at a later date, which destroy, or at all events may destroy, the advantage accruing from earlier ones. We are neither willing to present our reciprocity agreements to the world at large upon equal terms, as does France by its maximum and minimum system, nor do we stand ready to extend to all the benefits gained by any one country which enters into a process of bargaining with us, as is done by Germany. We offer no tariff concessions, save to those countries which we believe may be induced to grant us concessions that are more than equivalent; and even under these circumstances we offer them under a constant reservation of the power to practically neutralize the benefits of the agreement by subsequent action if we see fit to do so. Under these circumstances, it is not surprising that the reciprocity policy has thus far made but slender progress. The extension of the idea has been checked and hampered. The de-

velopment of the freer trade which might have been attained has been nullified by the narrow construction we have put upon tariff concessions made under the guise of reciprocity, and by the unwillingness to lend reality to that policy by making it apply to articles of some degree of importance. From this brief survey of the growth and development of the reciprocity idea, as a feature of the world's tariff policy, we may turn to a detailed study of our efforts to put it into effect.

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Most Favored Nation Clause in Commercial Treaties. Chapter III. Stanley Kuhl Hornbeck.

When the United States entered the list of nations with the enthusiasm of a people newly independent, united, and thoroughly conscious of its economic and political tasks, one of its first steps was to invite relations of amity and free intercourse with the older nations, nations from which it needed so much and to whom it had much to give. We at once threw open our ports to all foreign nations and endeavored to secure in those countries the privileges enjoyed by their own and other subjects, offering reciprocal advantages. Our earliest agreements show a desire to give and to accord the most liberal terms to international trade, to avoid exclusive relations, and to base our commercial intercourse upon the principle of give and take. The central feature in our commercial policy from the first has been reciprocity, as a survey of our treaties will clearly indicate.

As has been pointed out, the special limiting clause which expresses the American idea in commercial treaty-making and forms the basis of American interpretation was first inserted in treaties of the United States. It was inserted in our very first treaty, and it has, with few exceptions, appeared in all our treaties from that day to this. The limiting clause has been omitted in cases which we will mention, and one or two instances of irregular interpretation have occurred.

When our friendly proposals for commercial reciprocity were rejected by several nations, when we found foreign restrictions and discriminations operating against us, very soon after the ratification of the Constitution, we threatened retaliation. Our economic situation was such that an extended program of retaliation was inexpedient. Consequently we contented ourselves with imposing countervailing tonnage duties. Our object was three-fold, to force what we considered fair conditions of trade, to gain access to colonial markets, and to add to our own revenue. We were especially anxious also to give to our own merchants a monopoly of our carrying trade.

During the next twenty-five years our foreign relations exhibit a series of attempts which witness an urgent desire on the part of our government to secure a share in the lucrative trade of the colonies of several European countries, and to secure definite statements, in treaty form, of such privileges as foreign nations would allow us both in their colonial and in their home ports, rather than to leave these to the whims of legislation. Our commercial policy was then, and has been, except as we have especially favored our own merchants, uniformly in the support of equal terms to all nations. We have made it a practice not to grant special favors, unrequited to some nations to the exclusion of others. We have endeavored to grant and to secure equal opportunities in our commercial dealings with all nations.

Soon after the imposition of the tonnage duties an act was passed authorizing the President to suspend these duties in favor of any country which showed us similar consideration. France was the only important commercial nation which did not soon meet us on the proposition. At first reciprocity in navigation privileges was affected by legislation only. Great Britain preferred that the stipulation be incorporated in the treaty of commerce of 1815. The United States soon began the regular incorporation of this principle in treaties.

European students have characterized the tariff history of the United States as monotonous in the extreme. We have

had no great struggle such as was waged in England for thirty years over the abolition of the Corn Laws; there has been no great turning point such as is marked in English tariff history by the Cobden treaty and in Germany by the Caprivi treaties; our tariff controversies have developed with some single great commercial issue. These facts serve to emphasize the general consistency of American tariff policy. With a few temporary lapses, after we had once inaugurated the protective-tariff system our commercial policy has been intimately associated with protective principles. As a result our treaties present a uniformity and a regular adherence to a given form, while the interpretation which our statesmen have put upon our agreements exhibits a unanimity which may be sought in vain in European practice.

Throughout this tariff history we see running an unbroken line of tariffs, almost all of them protective, in which a single schedule tariff with fixed duties applies to imports from all countries alike. It has not been the policy of the United States to modify its tariff by treaties, creating thereby a two-column tariff. The double-tariff is a modern invention of European countries. But the United States has had some experience with the tariff-treaty in the form of reciprocity treaties. In these certain countries, for compensation, have been given, generally on account of unusual geographical position or political circumstances, reductions from the general tariff; but each time in return for a practical, tangible compensation.

The history of our treaty-making begins with the French treaty of 1778. In article II of that treaty we find the promise that neither country will "grant any particular favor to other nations, in respect to commerce and navigation, which shall not immediately become common to the other party, * * * freely if the concession was freely made, or on allowing the same compensation, if the concession was conditional." In contrast with the guarantee of immediate, unconditional extension of favors to the co-contractor contained in the majority of modern European treaties, this clause expressly says that the second party shall enjoy the

favor only in case it is freely extended to a third party, and that in case it is given for a *compensation* the second may not be excluded from it but may have the right to demand it "on allowing the same compensation." This makes the clause not an instrument of acquisition but a preventive against discrimination. It is this idea which has been written into nearly all of the series of American treaties and which the state department has always insisted regulates them. The treaties of the United States, examine them at such intervals as we may choose, give evidence of steady continuance in the same principle.

Our second commercial treaty was that made with Sweden, April 3, 1783, by whose second article it was agreed "not to grant hereafter any particular favor" (in navigation or commerce, to a third party) "which shall not immediately become common to the other party, who shall enjoy the same freely," etc. * * * "or on allowing the same compensation, if the concession was conditional." In articles III and IV it was agreed not to impose higher duties, etc., "than those which most-favored-nations are or shall be obliged to pay." Comparing this with the French treaty, we may conclude that no condition attaches to the most-favored-nation treatment *pro practerito*, but that the treatment *pro futuro* is made conditional upon compensation, that is, the operation is, for the present to give each other treatment equal to that accorded any nation—for the future, to insure each against being discriminated against by the other.

A survey of our treaty-making up to 1816, shows that we concluded six commercial agreements—with France, Sweden, Prussia, Great Britain, Sweden-Norway, and Algiers—containing most-favored-nation clauses. But we at no time recognized the unconditional principle. We regularly established present equality and guaranteed future concessions on a reciprocal basis. We established no differential; quite the contrary. No exclusive arrangement was to be allowed which would work to the disadvantage of parties to other of our treaties. The opportunity was to be given for each country to purchase for itself such favors as might be granted to

others for compensation. That this principle differed from that current before the United States entered the field, and that it differs from that held in Europe today is evident. But it is well to notice that the wording used in American treaties was, and is, different from that used in the older and the newer European treaties.

We have already pointed out that the policy of the United States was one of free commercial intercourse. In these early treaties we find numerous expressions which indicate the intention of their framers. For instance, in the preambles of the treaties with France and Sweden it is laid down that it is the intention to fix in "an equitable and permanent manner the rules" for governing the commercial relations of the two states, that "the most perfect equality and reciprocity" is sought, and that it is an object "to avoid all those burdensome preferences which are usually the sources of debate, embarrassment and discontent." But each country is to be absolutely free to make "those interior regulations which it shall find most convenient to itself * * * founding the advantages of commerce solely upon reciprocal utility and the just rules of free intercourse—reserving withal to each party the liberty of admitting at its pleasure other nations to participation of the same advantages."

It would be profitable to repeat from successive treaties to show how the United States continued in the use of the "compensation" clause. The fact that it did so will be amply illustrated when we turn to consider cases of interpretation. It is far more important that we notice the few cases of deviation or apparent deviation from that which we consider the established rule.

First comes that group of treaties known as "unilateral." The United States made treaties of this sort with Morocco, 1787 and 1836, Zanzibar, 1833, Japan, 1854, China, 1858, Egypt, 1884, and the Congo, 1891. Of these treaties, that with Japan is no longer in force, and that with China has been virtually suspended by subsequent treaties. In the application of these agreements, as the United States does not give most-favored-nation treatment in return, the stipulation may be

regarded as unconditional most-favored-nation treatment *for* the United States in the realms of the other parties to these contracts. But, from the exceptional circumstances under which a unilateral treaty is made, we can see at once that these do not constitute an infringement of the established rule.

Next comes a group of treaties from which the reciprocity clause was omitted. This includes treaties with Holland, Oct. 8, 1782, Great Britain, 1794 and 1815, France, 1800, and Hanover, 1840. Four of these contain only that clause which expresses the negative side of most-favored-nation treatment. That with France of 1800 contains also the clause expressing the positive side. None contains the words "immediate" or "unconditional." They are, generally speaking, exceptional to United States practice in what they omit, but there is no valid reason for supposing that they guarantee "unconditional" most-favored-nation treatment.

There are, however, three United States treaties which can from their form be put down as guaranteeing absolute and unconditional most-favored-nation treatment. These are the Swiss treaty of Nov. 25, 1850, the treaty with the Orange Free-State, Dec. 22, 1871, and that with Servia of Oct. 14, 1881. None of these contain the compensation clause. In all three the contracting parties guarantee to each other the immediate enjoyment of commercial favors and advantages which they may grant to third nations. The only one of these which has ever occasioned difficulty through a demand by the other party that the United States accord it unconditional most-favored-nation treatment was the Swiss. The clause in the Swiss treaty which caused the difficulty has since been abrogated. The treaty with the Orange Free-State has fallen. The treaty with Servia may be said to stand alone as an unconditional most-favored-nation treaty of the United States.

A survey of the list of our treaties in force discloses the fact that the United States employs the clause by no means as regularly as was once the case, and in by no means as large a proportion of its treaties as is the practice of the leading European states. The reciprocity agreement, with-

out the most-favored-nation clause, is the instrument which has been employed in a number of instances in recent years for regulating our commercial dealings with several important nations. But in our most-favored-nation treaties that form of the clause requiring compensation is not only the prevailing but the absolutely determining form.

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Most Favored Nation Clause in Commercial Treaties. Chapter IV. Stanley Kuhl Hornbeck.

As in our treaty making, so in our interpretation, our practice has been regular, although there are a few cases in which our secretaries of state have strayed from the lines of construction beaten by their predecessors. As our treaty-making authorities have often been subjected to harsh criticism abroad, largely because our treaty-making machinery is not understood, so our department of state has frequently been attacked for its construction of the most-favored-nation clause where the fault was not one of inconsistency upon our part, but was due to the critics' ignorance of our practice and of the intention of the negotiators.

In some cases our secretaries of state, even while following the uniform interpretation, have made loose statements concerning the nature of the clause in justification of that interpretation. Secretary Fish appears to have considered it right to apply to United States treaties the current European interpretation, that is, to regard the most-favored-nation clause as being unconditional. Secretary Gresham held a view different from that which ultimately prevailed concerning most-favored-nation obligations in connection with countervailing duties, and his position regarding the mutually exclusive subject matter of Articles VI and XI of our treaty with Russia of 1832 cannot be accepted. Still our diplomatists and our courts have, with remarkable unanimity, maintained that in the operation of the most-favored-nation clause in our treaties, even though the clause itself may not

contain an express stipulation to that effect, either contracting party may always require an equivalent for concessions which are demanded in virtue of the clause, except when these concessions have been made freely to third parties.

You will doubtless have understood that where the words "qualified" and "unqualified" are * * * applied in the most-favored-nation treatment, they are used merely as a convenient distinction between the two forms (which) such a clause generally assumes in treaties, one containing the proviso that any favor granted by one of the contracting parties to a third party shall likewise accrue to the other contracting party, freely if freely given, or for an equivalent if conditional—the other not so amplified. This proviso, when it occurs is merely explanatory, inserted out of abundant caution. Its absence does not impair the rule of international law that such concessions are only gratuitous (and so transferable) as to third parties when not based on reciprocity, or mutually reserved interest as between the contracting parties. This ground has been long and consistently maintained by the United States.

The United States first had occasion to define its position expressly and to defend it vigorously in the controversy which arose over the provisions of the treaty of April 30, 1803, with France, article VIII of which provides:

In future and forever after the expiration of the twelve years, the ships of France shall be treated upon the footing of the most-favored-nation in the ports above mentioned.

When subsequently, under the operation of the reciprocal agreement between the United States and Great Britain, July 3, 1815, the ships of the latter enjoyed a national treatment in the harbors of the United States, which was not allowed to the ships of France, the French government, while refusing to grant an equivalent to the United States, demanded the same treatment which was accorded to England, insisting upon the literal interpretation of the most-favored-nation clause, contending that "a clause which is absolute and unconditional can not be subject to limitation or any modification whatever." The United States government em-

phasized the equivalent. The French replied that France had given an equivalent at the time of the cession of Louisiana. The United States argued for a more specific equivalent, saying that if they were to give France *freely* that for which England had paid, France would be enjoying a treatment more favored than that of the most-favored-nation. This was the position held by Mr. Adams, President Monroe, and Mr. Gallatin, whose notes have been repeatedly quoted by United States Secretaries.

It is true that the terms of the eighth article are positive and unconditional; but it will readily be perceived that the condition, though not expressed in the article, is inherent in the advantage claimed under it. If British vessels enjoyed, in the ports of Louisiana, any gratuitous favor, undoubtedly French vessels would, by the terms of the article, be entitled to the same.

But the allowance of the same privileges * * * to a nation which makes no compensation, that have been conceded to another nation for compensation, instead of maintaining, destroys that equality * * * which the most-favored-nation clause was intended to secure. It concedes for nothing to one friendly nation what the other gets only for a price.

To M. Visser, this argument appears beside the point. He fails, however, to show conclusively just how it is so. Although it is true that "if, on examination, it appears that the third nation possesses a certain favored treatment, it matters little to others in what manner the third has obtained it," this does not make a breach in the soundness of the general contention of the United States. The whole difference may finally be sifted down to a distinction between the two views as to what constitutes "a favor." It is this difference of opinion which causes M. Visser to characterize the American argument as a "jeu de mots."

In 1821, Mr. Monroe worded our doctrine clearly in his message to Congress. In 1823 Mr. Gallatin stated expressly that in our view the extension of favors to a third party is dependent upon the giving of an equivalent in compensation. This was again stated by Mr. Livingston in 1832. It

was repeated and explained by Attorney General Cushing in 1853, and by Secretary Frelinghuysen in 1884, and by Secretary Sherman in 1888.

The treaty of the United States with Columbia, Oct. 3, 1824, provided that advantages given by either nation to a third party should be extended to the co-contractant, "freely if the concession was freely made," upon "compensation if the concession was conditional." Later the United States claimed the right to certain advantages which Central America was enjoying under a treaty with Columbia. When the Columbian government pointed out that its treaty with Central America was made upon a reciprocal basis, the United States conceded that its claim was unwarranted, and proceeded to arrange to grant to Columbia an equivalent for the advantages which were demanded.

The treaty of May 1, 1828, between the United States and Prussia, under the provisions of which Germany has made repeated claims against the United States, contained ten articles on the subject of reciprocal commercial relations. Article IX specifies that any favor granted to a third nation by either of the contracting powers shall immediately become common to the other, but adds the conditional clause. A simple illustration of the rights which Germany has claimed by virtue of this most-favored-nation clause is that made in 1894, that German salt should be allowed to enter ports of the United States, duty free. At the same time American salt was subject to duty in the ports of Germany. Secretary Olney answered that the position of the German government was absolutely untenable; that the principle the United States has regularly maintained was that of reciprocity; and that this position has already been acquiesced in by both Germany and Great Britain.

When Austria, under the treaty of August 27, 1829, claimed that her wines should enter the United States at the same rate as did the French wines under the treaty of 1831, the United States government pointed out the difference between favors freely granted and reciprocal advantages, and at the same time suggested that no nation intends

to bind itself by a condition which will render it unable to make further treaties, a fair interpretation of the most-favored-nation clause being, that, "if the duties were lessened in favor of any other nation, the contracting parties should obtain a like reduction for the same equivalent." The United States has carefully avoided placing itself in a position where its liberty as regards future negotiations will be restricted or where other nations shall enjoy privileges in trading with us which we do not enjoy in return.

After the conclusion of the reciprocity treaty of the United States with France, May 28, 1898, the Swiss demanded for Swiss imports into the United States the same concessions made to France. Their claim was based upon the treaty between the United States and Switzerland of November 25, 1850, which provided reciprocal most-favored-nation treatment in all that relates to importation, exportation, and transit, and that no favors in commerce should be granted by either to a third nation which should not immediately be enjoyed by the other, etc. It was shown that there was no conditional clause in this treaty and that by the understanding between the negotiators Switzerland had been given a "full and unlimited guarantee of the fullest most-favored-nation treatment." Secretary Hay, having examined the original correspondence, and having become satisfied that the American plenipotentiary Mr. Mann had agreed at the time of the negotiation that "no limitation should be attached to the most-favored-nation clause" and had accepted the interpretation of the Swiss government, declared that "both justice and honor require that the common understanding of the high contracting parties at the time of the executing of the treaty should be carried into effect," although this formed an exception to the otherwise uniform policy of the United States. "Should this government continue to give to Swiss products gratuitously all advantages which other countries acquire from an equivalent compensation, it would expose itself to just reproaches from other nations for exceptional favoritism. We desire that our friendly international policy

should be maintained in its uniform application to all our commercial relations." The customs officers were instructed to extend to imports from Switzerland the same rates imposed upon similar French goods under the recent treatment. On March 23, 1899, the United States gave notice of its intention to stop the operation of the articles in question in the Swiss Treaty and they ceased to have effect March 23, 1900.

The Swiss in return for this, although the United States was in no way discriminating against them applied their maximum tariff to imports from the United States. In 1906, when the new Swiss tariff went into effect, a basis for reciprocally advantageous treatment was arrived at, but without the formality of a treaty.

The position of the United States both as regards the regular interpretation and in extraordinary cases was thoroughly set forth in the diplomatic correspondence which followed the making of the treaty with Hawaii, January 30, 1875. In this, a treaty of strict reciprocity and unusual favors, it was stipulated that, in consideration of very material advantages in return, each country would admit certain articles from the other, duty free (articles I and II), and that no other nation should have the same privileges in Hawaii as the United States, nor would Hawaii make treaties with any giving them such (article IV). The English government protested. England had an agreement with Hawaii (Treaty, July 10, 1851), that neither country would charge higher duties upon articles from the other than upon the same articles from any third nation. It has been usual for United States diplomats, to say that, as between two states which have a most-favored-nation treaty, each may demand and secure favors given by the other to a third, providing it, the second, will grant to the first concessions equivalent to those granted by the third. But under the provisions of this treaty, Hawaii was unable to extend even this right to England, so it appears that in order for her to keep her treaty obligations with the United States it was necessary for her to break her promise to England and to establish an effective discrimina-

tion against English and other goods. From this fact it might seem that M. Visser's suggestion, that the action of the United States in this case was not in agreement with the doctrine which it maintains, is correct. But the case was an exceptional one. Not only did the United States hold that "the concession of these privileges to the United States can not form the basis for a claim to like privileges under the parity clause of the ordinary form of treaty, as such special privileges were given in return for special valuable considerations," but it considered this as, for geographical and political reasons, a special and extraordinary case. This view was certainly justified, and it was soon so recognized by Great Britain. In the arrangement between Hawaii and Germany, 1878, it was specified that the special advantages granted to the United States should not be invoked as a precedent for treatment of Germany. The Hawaiian case was held exceptional in a very clearly worded decision in the United States Supreme Court, 1887. In this case, in which Denmark relied upon the most-favored-nation clause in her treaty of April 26, 1826, the Supreme Court held:

These stipulations * * * do not cover concessions like these made to the Hawaiian Islands for valuable considerations. They were pledges * * * that there should be no discrimination * * * in favor of goods of like character imported from other countries * * *. They were not intended to interfere with special arrangements with other countries founded upon a concession or special privileges.

In this connection it is interesting to turn to the treaty between the United States and Tonga, Oct. 2, 1886. In article II, after stipulations for most-favored-nation treatment, appears the following clause:

it being understood that the Parties hereto affirm the principle of the law of nations that no privilege granted for an equivalent or on account of propinquity or other special considerations comes under the stipulations herein contained as to the most-favored-nations.

This was doubtless inserted on account of the difficulties which had arisen over the Hawaiian treaty.

The following case suggests a decided inconsistency on the part of the United States. In the treaty between the United States and Prussia, 1828, referred to above, article V reads: "No higher or other duties shall be imposed on the

importation into" either of any article the produce or manufacture of the other "than are or shall be payable on the like article being the produce or manufacture of any other foreign country * * *." Article IX reads: "If either party shall hereafter grant to any other nation any particular favor in navigation or commerce, it shall immediately become common to the other party, freely, where it is freely granted * * * or on yielding the same compensation, when the grant is conditional." To Germany's contention that article V and that only in return for an equivalent can concessions granted a third nation on a reciprocal basis be granted to the second. Now in a treaty between the United States and Hayti, November 3, 1864, article II provided that favors in commerce and navigation which either had granted or should grant to a third party should extend "in identity of cases and circumstances" to the other; "gratuitously if : * ' gratuitous; or * * : for compensation if * * * conditional." Article IX provided: "* * * no higher or other duties upon the tonnage or cargo of the vessels" of one shall be levied in the ports of the other than are levied or collected on the vessels of the most-favored-nation. July 31, 1900, Hayti made a treaty with France which was evidently reciprocal in its nature, France granting Hayti certain privileges in return for which Hayti reduced the tonnage dues paid by French sailing vessels and the dues on merchandise landed from them if of French origin. The United States government at once demanded the same rights for American vessels under article IX of the treaty of 1864. The Haytian government invoked the application of article II. The United States government answered that "Article IX is quite independent of article II, and creates absolute rights which this government can not fail to insist upon." The correspondence indicates that the American officials were decidedly out of patience with Hayti, and their communications, unfortunately, maintain this position. Unless some special significance can be attached to the phrase "in identity of cases and circumstances" in article II, or unless the United States can point out some particular circumstance whereby the grant

made by Hayti to France was "freely made" rather than a return for compensation, it is difficult to arrive at any other conclusion than that this forms an arbitrary exception to the practice of the United States.

Another case in which the action of the United States appears open to criticism is that of the treatment accorded to Colombia under the Act of October 1, 1890. This Act admitted certain articles to the United States duty free, but allowed the President, if he considered the duties of any country reciprocally unequal, to suspend the free list upon goods of such country. After the failure of attempts to negotiate a reciprocity treaty with Colombia, the President, March 15, 1892, suspended the free list on certain products of Colombia. We had made reciprocity arrangements with four European and six South and Central American countries, but at the same time goods from Mexico and Argentina similar to the products in question were enjoying, gratuitously, it seems, the advantages of the free list. Colombia, relying upon her favored-nation-clause, protested. To the insistent and fiery notes of the Colombian Minister, the Department of State replied in a lengthy correspondence which contains excellent suggestions as to diplomatic "good form" but fails apparently to answer the logic of the Colombians or to analyze to any extent the justice of their demands.

Mr. Blaine's assertion to Mr. Hurtado that "the law cited (the Tariff Act of 1890) applies the same treatment to all countries whose tariffs are found by the President to be unusual and unreasonable" does not altogether meet the question involved.

At the same time, the practice of other nations presents instances of inconsistencies, though in no case are these sufficient to disestablish the regularity of their interpretations. In 1885, under the guidance of Bismarck, who asserted that the relations of Germany and the United States were on the basis of the most-favored-nation, the Bundesrat expressly included the United States in an ordinance granting to the most-favored-nations the lower duties conceded to imports of rye from Spain; but in 1883, in a similar ordinance extending to most-favored-nations certain concessions

recently granted to Spain and Italy, the United States had not been included. In 1891, Germany negotiated a series of treaties with European countries for reciprocal reductions of import duties. To have been consistent with the principle advocated in 1885, Germany should have extended to the United States the reduced duties granted to various European countries. This she did not do. The Saratoga Convention of August 22, 1891, was based on reciprocity and was, in character, a bargain in return for concessions.

Reciprocity and the Philippine Islands.

Manila Merchants' Association.

The United States is an enormous consumer of tropical and sub-tropical products. No class of commodities has enjoyed the popularity and experienced so great an increased use among the people of the United States as those grown in tropical countries. But there are no countries with which its commerce is so unequal—so unfavorable to it in the matter of interchange of trade, as those from which these products are obtained. A partial list of imports of this nature for the fiscal year 1910, taken from reports of the Bureau of Statistics, Washington, will convey some idea of their importance as a factor in the import commerce of the United States:

Product	Amount	Value
Cocoa	108,000,000 lbs.	\$ 11,376,061
Coffee	871,000,000 lbs.	69,194,353
Fibers	305,000 tons	32,418,839
Manufactures of Fibers.....	.....	57,624,245
Fruits and Nuts.....	.....	37,423,837
Goat Skins.....	115,000,000	30,837,590
Gums of various kinds.....	.....	13,504,125
Rubber	138,000,000 lbs.	106,861,496
Matting .....	.....	2,424,759
Cocoanut Oil .....	.....	3,341,409
Other Nut Oils.....	.....	2,440,010
Palm Oil.....	.....	5,590,535
Raw Silk.....	.....	65,424,784
Spices	37,000,000 lbs.	2,762,947
Sugar	4,000,000,000 lbs.	106,349,005
Tea	85,000,000 lbs.	13,671,936
Leaf Tobacco.....	46,000,000 lbs.	27,751,279
Manufactured Tobacco.....	.....	4,082,582
Cabinet Woods and Mahogany....	.....	4,652,740
Total		\$597,732,532

Miscellaneous articles that belong in this table, but are not enumerated, will swell the total to in excess of six hundred million dollars.

One cannot but be impressed by the virtual necessity, under the standard of living that now obtains in the United States, of practically all articles named above. And so essential are these things considered, and to such small extent is the United States able to produce them, that out of the entire list of 19 classes of commodities enumerated, comprising nearly 40 per cent of the total imports for the year, there are but two on which a duty is levied in the United States. The other seventeen enter free of duty no matter from what quarter they may come.

If the United States were selling to those countries from which this tremendous flood of importations is pouring in each year, a proportionate amount of its own products, the commerce would stand on a satisfactory basis and there would be no occasion for concern.

But it is not selling them more than half as much as it buys from them and, unless conditions undergo a radical change, it never will.

To the casual observer unacquainted with the actual figures and existing conditions, it would seem that the United States should supply to tropical and semi-tropical peoples a large share of their needs. The imports of such countries are made up for the most part of three principal groups of commodities, viz: Cotton goods, iron and steel manufactures and foodstuffs. Cottons comprise approximately 30 per cent of the whole while iron and steel manufactures and foodstuffs in varying proportion, amount to nearly 50 per cent.

With the superior advantages enjoyed by the United States in the production of such articles, it should be able to rival Germany and Great Britain which are the most powerful competitors for the world's commerce. But though sentiment and points of proximity and mutual interest may be favorable, it is not able to secure even a reasonable minor share of the trade in lines that it should, under ordinary

rules, control. However, the explanation of this is not difficult. For years the American manufacturer has been so entirely occupied with the work of supplying the home market which, on account of being highly protected, is vastly more profitable than the foreign, that he has lacked the time, if not the inclination, to cultivate the markets of other countries. The United States has been developing with such wonderful rapidity that the energy of its business elements has been taxed to the limits of their capacity in providing the requirements of the home field, and only during periods of financial economic depression has serious thought been given to the export trade.

But, beyond this, the protective system of the United States, with its constant tendency to increase the cost of production of manufactured articles, through the necessity of wage scales in keeping with a relatively high cost of living, renders difficult, when not impossible, competition with European nations where labor is cheaper, the standard of living lower and the home market of correspondingly less value to the manufacturer and competition for such trade—which has developed principally in tropical and sub-tropical countries—has waxed very keen, especially between Great Britain and Germany. Belgium, France, Switzerland, Austria and Italy are able to compete in specialized articles on a satisfactory basis and the United States produces certain manufactured articles, including agricultural implements, sewing machines, typewriters, cash registers, mining and electrical machinery, etc., in which American mechanical and inventive genius enters to an extent that places them beyond the reach of competition in international markets. But in the commodities that make up the great bulk of the world's commerce, the United States is easily distanced by Germany and Great Britain.

There are, of course, other factors that enter into the proposition and conduce to European supremacy in the trade of those countries whose own export trade is so largely with the United States. The European manufacturer has made a careful study of the markets of the world and has

conformed to the requirements of those markets in every particular. The tastes of the people, their methods of doing business, details of packing where climate requires other than the ordinary package or transportation facilities make it necessary, the current fiscal system, language and every other point that might have a bearing or influence on trade is taken into account. On the other hand, the American manufacturer follows an inflexible rule in matters of credits, packing and shipping with the result that he does not always hold business when he gets it, even though his goods may be preferred, which they often are.

Thus the United States is buying annually upwards of six hundred million dollars worth of the products of countries that buy only to the value of half, or less than half, that amount of American products in return; and this unfavorable trade balance of three hundred million dollars or more which accumulates with the passing of each year, has to be made up by the sale to Great Britain, France, Germany and other populous countries of the world, where industrial operations are carried on more cheaply than in the United States, of raw products and food-stuffs, or other commodities into which the element of labor has entered to but a small degree.

Thus American cotton goes to British and European mills and American flour and meat help to feed the operatives of those mills, while the finished products of the same mills and factories are sold in part in the countries from which the United States obtains its tropical commodities, so that its money passes through the hands of workers in two countries, leaving a profit in each, before the remainder gets back to its original source.

Such a condition, existing in the twentieth century and among an enlightened race, constitutes a paradox in economics and is a serious reflection on the intelligence and ability of the American people for, although in years past it might not have been possible to avoid this enormous drain, today the United States has the opportunity and the means to eliminate the unfavorable features of this commerce and to

produce in its own territory those things that are now being brought from foreign countries at such tremendous cost.

In order to emphasize this point there are given below some examples of the commerce of the United States with the countries contributing the greater part of the articles on the list of imports already shown:

Fiscal Year 1910			
Commerce of the U. S. with	Imports from	Exports to	Balance against U. S.
Brazil	\$108,154,491	\$22,897,890	\$85,256,601
Cuba	122,528,037	52,858,758	69,669,279
British East Indies	70,748,613	9,495,016	61,253,597
Japan	66,398,761	21,959,310	44,439,451
China	31,297,928	16,970,453	14,327,475
Total	\$399,127,830	\$124,181,427	\$274,946,403

There is available evidence in abundance—evidence that is proof absolute—to show that this stupendous outlay is unnecessary, that it can be checked, that it is due to ignorance on the part of the American people and that to permit it to continue is tantamount to trading on obligations to posterity.

The problem involved in changing the sources of supply of six hundred million dollars worth of products to where a compensating trade in American goods may be gained, although a tremendous one, is not impossible of solution and the opportunity has for more than a decade past been waiting at the hand of the legislator and business man of the United States.

The Philippine Islands were acquired in 1898 and Civil Government, through the Philippine Commission of which President Taft was the first head, was inaugurated in 1901. For an entire decade Congress through its civil representatives has exercised absolute control over the affairs of the archipelago and it is not indulging in hyperbole to say that the achievement marking these ten years of rule have been little short of marvelous. The internal improvements that have been effected and the improvement that has taken place in the condition of the country and the people seem well nigh incredible when comparison is made with the state of affairs that existed ten years ago.

The building of roads and bridges in all sections of the islands and of railroads on some of the principal ones has facilitated the marketing of products and stimulated a general interchange of commerce and communication among the people, thus tending to weld the many diversified tribes into a more homogeneous whole.

Facilities for inter-island transportation have been provided where before none existed and the system that already existed has been immeasurably improved while coasts and waterways have been charted and the whole safeguarded by a chain of lights that mark the rocks and shoals and guide the mariners safely through storms and the vigils of the night.

Harbors have been dredged and protected and docks built at the principal ports for the benefit and security of commerce by sea.

Public buildings of a permanent character have been erected in nearly every provincial center and in many other of the important municipalities as well.

Labor has been assisted and protected and a system of virtual peonage that had existed from time immemorial has been eradicated with the result that the laborer now is better paid and is free to seek and accept employment wherever he will. He is at liberty to sell his product in the best market that offers and there is a more general and more equitable division of the country's wealth among those who produce it. The Filipino today enjoys a measure of practical self-government far beyond anything he even aspired to under the dominion of Spain.

A comprehensive system of education has been instituted and carried out and is continually being extended, that is affording to a large proportion of the people full opportunity to equip themselves for the battle of life by exercising their abilities and developing their capacities, while upon the rising generation it has conferred the great boon of a common language. And the theoretical is supplemented by a thorough course of manual training that is inculcating in the mind of the youth an understanding of the value and

necessity of honest labor, and respect for the dignity that attaches to it.

Provision has been made for occupation of the rich public lands by offering to every citizen a homestead without cost, and the people are invited and urged to take advantage of this opportunity to provide themselves with a competence thus put within their reach, that will make them as individuals, economically independent.

A strong and permanent fiscal system based on the gold standard has been inaugurated and maintained to the great benefit of the islands and their commerce supplanting, as it did, the unstable and fluctuating silver currency of former times and contributing in no small degree to a marked increase of confidence in the future of industry and commerce in the country.

Insular finances have been put on a solid, substantial basis; taxes are quite moderate being but one and one-half per cent on the assessed value of real estate in Manila and seven-eighths of one per cent in all provinces outside the capital while there is no tax on personal property. Expenditures have been kept within receipts; the credit of the islands is first class and they cost the Washington Government not one penny beyond the increased expense of maintaining United States troops stationed here above what their maintenance would cost at home and the cost of fortifications that are to serve as a means of permanent defense.

An efficient body of insular military police, known as the Philippines Constabulary, officered in part by officers of the United States regular army, performs its functions in an admirable manner, affording security to person and property and proving wholly effective in maintaining law and order throughout the provinces.

The Judiciary of the islands has been organized on a splendid working basis and includes in its personnel a considerable contingent of Americans as well as some of the best legal and judicial minds to be found among the Filipinos. It commands the unqualified respect and confidence of all classes and is the bulwark of the local government. This

branch of the government is impressing on the minds of the people a wholesome regard for the law and for the rights of property and the individual.

Splendid work has been done towards improving sanitary conditions throughout the islands, with the result that the dread scourges, small pox, bubonic plague and cholera have been practically eliminated or brought under safe control and the people are gradually learning the value of hygiene to the preservation of life and to the correction of social evils.

The past year has witnessed the completion in Manila of one of the finest hospitals in the world; on an elaborate, modern sewerage system and the making over of the water system which has been greatly extended and enlarged, the source of supply now being in the mountains in a watershed more than thirty miles distant from the city. Manila today ranks among the healthiest cities of the world.

This is, in part, what has been accomplished under American Government in the Philippines and it constitutes a record of achievement that challenges the admiration of the world. The people of the United States may justly be proud of it all for it is no small thing to have effected in ten short years the regeneration of eight millions of an alien race to whose customs and language we came entire strangers.

But while the government within the islands has done and is doing so much for the uplift of the Filipino people and internal progress generally, *the Government and people of the United States are neglecting one of the most wonderful opportunities, if not the greatest, that ever has been offered to any nation in the history of the world.*

Fix in your mind a picture of the Pacific Ocean! On the east you have the long coast line of the mainland with the ports of San Diego and Los Angeles at the lower end, San Francisco in the center, and Portland and the Puget Sound cities near the northern border; farther north the line is taken up by Alaska, which extends to the regions of the pole, nearly touching, at points, the Siberian coast, while the Aleutian Islands stretch out a chain across the northern sea

that reaches close to the peninsula of Kamchatka. Down towards South America is the zone through which the great canal is rapidly being cut, and the fact that preparations for its fortification are already under way is sufficient notice to the world that the United States intends to dominate it completely. Two thousand miles off the coast and in a position that makes them a shield to the mainland, are the Hawaiian Islands, well named the crossroads of the Pacific, containing the splendid Pearl Harbor which the United States is converting into one of the strongest naval stations on the face of the globe. Among the South Sea Islands, east of Australia and north east of New Zealand on a line with Hawaii, the United States has a naval base in Samoa. At the southwest, lying in between the China Sea and the Pacific Ocean, extending from the Japanese Island of Formosa and the coast of China south to Borneo and the Dutch Celebes, in a position commanding completely the paths of commerce between Europe and the Far East on one hand, and Australia and the Far East on the other are the Philippines, completing, as it were, a circle around the vast Pacific Ocean, the theater of the next great development of the commerce of the world and the principal scene of the future activities of mankind. But it is the material value of these islands rather than their strategic importance that it is my desire to discuss here.

I have quoted a list of the commodities imported by the United States in 1910, that comprise the bulk of the articles purchased from tropical and sub-tropical countries. You have seen by figures from an authoritative source, that in its commerce with countries supplying the annual requirements of such products, which now amount in value to six hundred million dollars or more and is rapidly increasing, the United States suffers a loss of at least half that figure. The nation is thus under a drain of three hundred million dollars each year, through having to buy these products from countries whose trade it can not control nor gain any advantage whatever in, although it is their best customer. It is obvious that if the United States were producing these

things in its own territory such a balance could not exist against it for there would be available a compensating trade subject to its control. It would then be in a position to effect an exchange of its manufactures and temperate zone foodstuffs for the tropical products required by its people.

In the list comprising nineteen of the more important tropical and sub-tropical commodities imported that last year reached a total value of five hundred and ninety-seven million dollars, there are none that the Philippines are not adapted to produce in quantities sufficient to meet the demands of the United States and, too, without having to employ hot house methods in their production.

If it can be demonstrated that this is the fact and not merely idle assertion, it surely would seem the part of wisdom for the government at Washington to use every legitimate means to stimulate and assist industry here in order that the resources of the islands may be developed and their potential wealth made real. But what is the condition today? *Of those nineteen groups or classes of articles numerated, there are but two on which a duty is levied in the United States.* Thus the Philippine Islands realize no benefit whatever with respect to them by reason of having free access to United States markets except in the case of sugar and tobacco, and in these there is an unnecessary limitation on the quantity that may enter in any one year without payment of duty.

The element now lacking that is essential to material and large development here is capital. We have the land, the labor and the climate, but the masses are devoid of initiative and we are deficient in the means with which to carry large enterprise into effect. Furnished the capital necessary to development, the islands' production of marketable commodities would increase by leaps and bounds.

If there were a duty in the United States on the various articles I have mentioned, which are now required there for consumption in such enormous quantities, a special incentive would be furnished for their production in the Philippines as, having free access to the markets there, these islands would offer a more favorable field for their production than any

country not having similar trade relations. Capital—especially American capital—would thus be diverted from other fields and attracted towards us, for it would be more profitable to grow rubber, and coffee, and cacao, and silk, and spices, and all of the rest of the articles on the list, in the Philippines than in other countries.

In order to illustrate this point more clearly we can use rubber as an example. At the present time there is a tremendous amount of American capital invested in the rubber industry in Brazil, Mexico, various parts of Africa and Straits Settlements. The great increase in the world's demand for rubber, occasioned largely by the sudden development of the automobile industry, naturally tended to strengthen the price and make rubber growing extremely attractive to capital. And the United States has developed into the greatest consumer of rubber among the nations.

Now, there is no country better adapted than the Philippines to the growth of the rubber tree. It has been demonstrated that nearly any variety will flourish in the various islands of the archipelago. But there being no duty in the United States on crude rubber there is no special advantage to be gained by engaging in the industry in these islands beyond what there would be in other rubber producing countries where soil and climatic conditions are similar. In fact other countries have an advantage over us in the prestige of longer experience and thus are better known to capital seeking investment in the rubber growing industry.

But were the United States to put a duty on rubber (it need not be a large duty either, in order to accomplish the end) it would result in the Philippines immediately becoming a much more desirable field for exploitation of the rubber industry than any other section in the world. The practical effect of such a duty, so far as the United States is concerned, would be to slightly increase the cost of its rubber over the world's price, but by stimulating the industry in the Philippines to the point where these islands would supply the rubber it uses, it would create a new market for its own products and manufactures that would equal in amount the

full value of its rubber imports. When consideration is taken of the fact that such importations amounted last year to over one hundred and six million dollars and that at the present rate of increase the country will require double that amount in a few years time, the magnitude of such an accomplishment becomes apparent. The proposition is entirely simple and applies with equal force to every one of the nineteen articles enumerated in the list.

These statements may be counted absolute facts: *The Philippines will consume of imported commodities what they are able to pay for. Their purchasing capacity will always be measured by their production of export commodities. There is nothing that they produce or are adapted to produce that the United States is not at present under the necessity of buying from foreign countries whose import trade it does not and never will control. Thus it cannot hope for advantages in other fields yielding tropical products that it already possesses in these islands.*

It is morally within the province and easily within the power of the United States to develop the natural resources of the Philippines; to quicken industry, to stimulate productive activity and to assure to capital and properly directed effort actual, tangible results. For the United States government to do this is no less a duty owing to American posterity than it is to the eight million people whose destiny is bound up with its own and who are politically and economically dependent upon it.

It is full time that the government and the people of the United States realized their responsibilities towards the Philippine Islands and awakened to the opportunities that await them here.

That the reader may better understand the immediate value of the Philippines both as a market and source of supply for the United States the very pertinent example of Porto Rico will be cited.

The island of Porto Rico, lying but a short distance south of the mainland of the United States, was acquired at the

same time as the Philippines. But as early as 1901, legislation was enacted by Congress establishing definitely and permanently its relation to the home country, and commerce between the island and the mainland was freed of any restriction or encumbrance whatsoever. The effect of this new condition was immediate. Industries were established or rehabilitated; remunerative returns were awarded to labor, and capital was offered the inducement of a profitable market for the products of industry that it would create or develop, with the result that money began to flow freely into the island. Production increased and with it came in corresponding measure an increase in the requirements of the people. For the year ended June 30, 1901, the external commerce of Porto Rico amounted to \$17,950,197. For the calendar year 1906 it had grown to \$50,166,676. For the fiscal year 1910 it amounted to \$68,553,745.

This industrial awakening is on all sides plainly in evidence. Among the masses of the population many before went naked; now they are clothed; those who before were clothed now are better clothed. All have better food and where before rice composed almost the sole diet of the proletariat the population is now able to afford a wholesome variety. There was imported in 1910 over two and a quarter million dollars worth of breadstuffs from the United States alone, composed principally of wheat flour, and nearly three million dollars worth of meat and dairy products besides a large quantity of miscellaneous foodstuffs. *And the United States is profited by this development as much or more than Porto Rico for not only do American manufacturers and producers gain directly by the increased commerce, but American capital is receiving the cream of the profits of new industries and of old ones extended and enlarged.* It is, in fact, an addition to the home market to the extent of twenty-six million dollars a year, for that is the amount of *the actual increase* provided for the United States export trade. And at the same time the United States is not spending a single dollar for Porto Rican products that it would not have to pay to a foreign country for the same products were they

not available in Porto Rico, in which case it would receive no returning trade to compensate.

Porto Rico is a small island and quite densely populated. It has an area of 3435 square miles and boasts approximately one million inhabitants. Its soil, climate, and population represent its resources. It has practically no wealth of mine or of forest, and sugar, coffee, tobacco, and a few fruits comprise its export crops. Sugar is the most important of these and contributes two-thirds of the total; but so large a percentage of the sugar land area is already under cultivation that future development will necessarily be in the minor pursuits and industries.

This sketch of conditions in Porto Rico and of the experience there since that island became a part of the United State is introductory to the larger proposition of the Philippines. As against Porto Rico's population of one million these islands possess eight millions. Hence on the basis of comparative population alone we should be able to produce within a very few years eight times as much as Porto Rico in which event the external commerce of the Philippines would amount to five hundred and fifty million dollars annually. It is now less than eighty millions. But the area of the Philippines is 125,924 square miles against 3,435 square miles in Porto Rico, making their possibilities of production on this basis thirty-six times that of Porto Rico. There can be no doubt but that the soil of the Philippines is as rich as is that of Porto Rico while there exist here many reservoirs of natural wealth in forests of rare woods and stores of precious metal, that give great promise of abundant riches. We have, too, a list of products so much greater in variety than that possessed by Porto Rico that here industry, by reason of its many diverse elements, is certain to be more stable and less variable in its growth than where its pursuits are restricted as to number.

Another feature that is of the deepest significance with respect to American trade in the Far East is the commanding position occupied by Manila as a distributing center.

The proposition of control by the United States of the

trade of China through development of the resources and control of the trade of the Philippines, is entirely logical and should appeal to the reason of every practical person.

As business in these islands increases with the growth of industry, and the people attain a consuming capacity consonant with their capacity to produce, the requirements of this market, which the United States will undoubtedly control, will necessitate the carrying of permanent stocks in Manila which also can be drawn upon to supply the trade of China. United States manufacturers will then have an advantage in the competition for the Chinese trade that cannot be secured by those of other countries for the reason that no European country has a base in the Orient with contiguous territory of any considerable extent whose trade it can be assured of in a measure that will warrant it in carrying stocks to supply. The great ports of China are but a few days voyage from Manila, and with stocks here upon which to draw, American goods would be made available to merchants of China as readily as they now are to dealers in the United States itself.

Under the present status of trade in China several months must pass from the time goods are ordered in Europe or America before they are received. Nearly all purchases are made through brokers by Chinese jobbers and distributors, for future delivery and the elements that determine the source of supply are the daily price and rate of exchange. But the long period of time intervening between the date of purchase of goods and their delivery injects into business a very serious element of hazard, besides involving the investment of an unusual amount of capital as compared with the volume of business transacted. Now, the Chinese, although pretty tightly wedded to custom, are, at the same time, keen business men and quick to take advantage of favorable opportunity. It would not be long ere they would come to see the advantage of buying in a market so close as Manila even at a slight increase in original cost for they would realize that the necessity of buying heavily and carrying abnormal stocks can thereby be eliminated; that requirements

can be more accurately anticipated and that a tremendous saving can be effected by the great reduction that would result in the amount of capital necessary to conduct their business. I firmly believe that through the agency of the Philippines the United States will come to control the trade of China.

And China is a big market, with imports already ranging upwards of \$300,000,000 annually. And she is destined to grow bigger and more important with each succeeding year, for she is developing rapidly; the building of railroads is giving a strong impetus to industry throughout the empire and a spirit of progress prevails there that is bringing that wonderful country and its people into more intimate relations, commercially as well as politically, with the outside world.

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Reciprocity Treaty with Canada of 1854. F. E. Haynes.

The treaty concluded between the United States and Great Britain on June 5, 1854, was designed to regulate the commercial relations between the United States and the British possessions in North America. It was negotiated at Washington by William L. Marcy, Secretary of State of the United States, and by the Earl of Elgin and Kincardine, Governor-General of the North American provinces, acting for their respective governments.

The treaty consisted of seven articles, of which the first two related to the fisheries, the third to reciprocal trade, the fourth to the navigation of the St. Lawrence, the fifth to the duration and abrogation of the treaty, the sixth to the extension of the provisions of the treaty to Newfoundland, if that colony indicated a desire for such extension, and the last article to the ratification of the treaty.

The third and fourth articles, to the discussion of which I intend to devote this paper, are as follows:

Art. III. It is agreed that the articles enumerated in the

schedule hereunto annexed, being the growth and produce of the aforesaid British colonies, or of the United States, shall be admitted into each country respectively free of duty.

Schedule

Grain, flour and breadstuffs of all kinds.
 Animals of all kinds.
 Fresh, smoked and salted meats.
 Cotton-wool, seeds and vegetables.
 Undried fruits, dried fruits.
 Fish of all kinds.
 Products of fish and all other creatures living in the water.
 Poultry, eggs.
 Hides, furs, skins, or tails, undressed.
 Stone, or marble, in its crude or unwrought state.
 Slate.
 Butter, cheese and tallow.
 Lard, horns, manures.
 Ores of metals of all kinds.
 Coal.
 Pitch, tar, turpentine, ashes.
 Timber and lumber of all kinds, round, hewed and sawed, unmanufactured in whole or in part.
 Firewood.
 Plants, shrubs and trees.
 Pelts, wool.
 Fish-oil.
 Rice, broom-corn and bark.
 Gypsum, ground or unground.
 Hewn or wrought or unwrought burrs of grindstones.
 Dyestuffs.
 Flax, hemp and tow, unmanufactured; unmanufactured tobacco.
 Rags.

Art. IV. It is agreed that the citizens and inhabitants of the United States shall have the right to navigate the river St. Lawrence and the canals of Canada, used as the means of communication between the Great lakes and the Atlantic ocean, with their vessels, boats and crafts, as fully and freely as the subjects of Her Britannic Majesty, subject only to the same tolls and other assessments as now are, or may hereafter be, exacted of Her Majesty's said subjects; it being understood, however, that the British government retains the right of suspending this privilege on giving due notice thereof to the government of the United States.

It is further agreed that if at any time the British government should exercise the said reserved right, the government of the United States shall have the right of suspending, if he thinks fit, the operation of Article III of the present treaty, in so far as the province of Canada is affected thereby, for so long as the suspension of the free navigation of the river St. Lawrence or the canals may continue.

It is further agreed that British subjects shall have the right freely to navigate Lake Michigan with their vessels, boats and crafts so long as the privilege of navigating the river St. Lawrence, secured to American citizens by the above clause of the present article shall continue; and the government of the United States further engages to urge upon the state governments to secure to the subjects of Her Britannic Majesty the use of the

several state canals on terms of equality with the inhabitants of the United States.

And it is further agreed that no export duty, or other duty, shall be levied on lumber or timber of any kind cut on that portion of the American territory in the state of Maine, watered by the river St. John and its tributaries, and floated down that river to the sea, when the same is shipped to the United States from the province of New Brunswick.

History of the Treaty

Previously to 1845 the trade between the United States and British provinces was burdened with a system of differential duties which discriminated against foreign importations into Canada in favor of British to such an extent as to prevent any extensive trade.

In 1845 the British government changed its commercial policy by authorizing the Canadian legislature to regulate its own tariff. In 1847 the Canadian legislature removed the existing differential duties, and admitted American goods on the same terms as those imported from Great Britain.

This change of policy seems to have been the result of two causes; (1) of that change of policy in England which manifested itself in the abolition of the Corn laws in 1846, and in the repeal of the Navigation laws in 1849; and (2) of local causes in Canada. The Canadian rebellion of 1838-39 was the result of the long continued hostility between the English in Upper Canada and the French in Lower Canada. The attempt of Pitt in 1791 to settle the dispute by dividing Canada into two provinces had failed. The long pent-up feeling broke out in open rebellion in both the provinces. To pacify the people the British government decided to reunite the two provinces and give to the consolidated province a responsible government in accordance with the recommendation of Lord Durham's report of 1839. This was done in 1840.

The constitutional grievances were, however, not the only ones. The people of Canada saw, with increasing discontent, the rapid strides of the United States in wealth. They longed to share in that progress, and hence the desire of annexation began to be felt. Lord Elgin, the governor-general from 1847-1854, recognized the conditions, and

through his efforts the Reciprocity Treaty of 1854 was negotiated, giving to the people some of the advantages possessed by their more fortunate and richer neighbors.

In March, 1849, Lord Elgin called Lord Grey's attention to the subject:

"There has been," he writes, "a vast deal of talk about 'annexation,' as is unfortunately always the case here when there is anything to agitate the public mind. . . . A great deal of this talk is, however, bravado, and a great deal the mere product of thoughtlessness. Undoubtedly it is in some quarters the utterance of very serious conviction; and if England will not make the sacrifices which are absolutely necessary to put the colonists here in as good a position commercially as the citizens of the States—in order to which *free navigation and reciprocal trade with the states are indispensable*—if not only the organs of the league, but those of the government, and of the Peel party, are always writing as if it were an admitted fact that colonies, and more especially Canada, are a burden, to be endured only because they cannot be got rid of, the end may be nearer than we wot of."

Again, in November the same year, he writes:

"But if things remain on their present footing in this respect, there is nothing before us but violent agitation, ending in convulsion or annexation. . . . And I much fear that no measure but the establishment of reciprocal trade between Canada and the States, or the imposition of a duty on the produce of the States when imported into England, will remove it."

Such being the state of feeling in Canada in regard to matters of trade, the address of the Parliament to the Queen, praying that the prospective changes in the laws regulating the admission of foreign grain into the British markets might be made with some reference to their needs, came as a natural consequence. This address also contained a specific request for the opening of negotiations with the United States for the admission of the products of either country into the ports of the other upon equal terms. This address, made on May 12, 1846, received a favorable answer on June 3, 1846, and thus became the first direct step in the negotiation of the reciprocity treaty.

Accordingly, in December, 1846, the British minister, Mr. Pakenham, acting under instructions, communicated with the Secretary of the Treasury, Robert J. Walker, upon the subject. The United States government proved to be favorably disposed to the proposition for freer trade with Canada, and upon consultation it was decided to proceed

by means of concurrent legislation by the United States and Canada. Steps were therefore taken for the completion of this plan.

In 1847 the Canadian Parliament, immediately availing itself of the power conferred upon it by the Imperial government, to regulate duties on the products both of foreign countries and of the mother country, the duties on American manufactures were lowered from $12\frac{1}{2}$ to $7\frac{1}{2}$ per cent., and those on British manufactures were raised from 5 to $7\frac{1}{2}$, thus placing the United States on an equality with the mother country.

The memorandum of the Hon. W. H. Merritt, submitted to the United States in the summer of 1849, contains a copy of an act of the Canadian Parliament "to provide for the free admission of certain articles of the growth or production of the United States of America into Canada, whenever similar articles, the growth and production of Canada, shall be admitted without duty into the said States."

In 1848 a bill was drawn up by the committee on commerce of the House of Representatives, and strongly recommended by the Secretary of the Treasury. This bill passed the House without opposition in 1848, but failed to receive the attention of the Senate on account of the pressure of other business. At the next session it again failed to be acted upon by the Senate for the same reason.

In January, 1850, a similar bill was reported by the committee on commerce, and recommitted "with a view to provide therein for the free navigation of the river St. Lawrence, and to assimilate the same to the bill now pending before the Senate of the like character." The committee on commerce, through its chairman, Robert M. McLane, requested the Secretary of State to inform it upon the subject of the navigation of the St. Lawrence. Secretary Clayton, after communication with the British minister, informed the committee of the readiness of the British government to concede the navigation by treaty. The introduction of this new feature seems to have caused the first consideration of a treaty in reference to the pending negotiations.

Finally at the next session the subject was taken up again as a matter of legislation by the introduction in the House of a bill for reciprocity of trade between the United States and Canada and for the free navigation by American vessels of the canals and waters of Canada. Late in the session the matter was debated, and an amendment suggested, which provided for the importation of American manufactures into Canada at the same rates as those at which British manufactures were imported.

After 1851 no serious attempt was made to obtain reciprocal trade by means of concurrent legislation. There were probably two principal reasons for this neglect, (1) the disturbed political condition of the times, and (2) the situation in regard to the northeastern fisheries, arising from differences in interpretation of the convention of 1818.

The beginning of the negotiations in regard to reciprocity has arisen from the discontent in Canada, but the introduction of the question of the fisheries interested the maritime provinces exclusively. In this way the negotiation became extended so as to include all the British possessions in North America. It is probable, however, that without the existence of the fishery problem, the maritime provinces would have been included in any reciprocity measure, for in 1849 the British charge d'affaires, writing to the Secretary of State, says that he has lately received an instruction directing him, with the concurrence of the lieutenant governor of New Brunswick, to negotiate for the extension of reciprocity to that province upon the same conditions for which it may be conceded to Canada.

Just at the end of the session of Congress in 1853, Mr. Breckinridge moved for the suspension of the rules for the introduction of the resolution requesting the President "to arrange by treaty the questions connected with the fisheries on the coasts of British North America, the free navigation of the St. Lawrence and St. John, the export duty on American lumber in the province of New Brunswick, and reciprocal trade with the British North American colonies on the principles of liberal commercial intercourse."

Finally the English government determined to send the Earl of Elgin, then governor-general of Canada, to Washington. The party on leaving England consisted only of Lord Elgin, Mr. Francis Hincks, then prime minister of Canada, Captain Hamilton, A. D. C., and Lawrence Oliphant, private secretary of Lord Elgin; but at New York it was joined by Colonel Bruce and one or two Canadians, whose advice and assistance upon commercial questions were needed.

Upon arriving at Washington Lord Elgin announced the object of his visit to President Pierce and the Secretary of State, Mr. Marcy, who told him that it was entirely hopeless to expect that such a treaty as he proposed could be carried through with the opposition which existed to it on the part of the Democrats, who had a majority in the Senate. They assured him, however, that if he could overcome this opposition he would find no difficulty with the executive branch of the government. With this object in view, the conversion of the Democratic majority in the Senate. "Lord Elgin and his staff approached the representatives of the American nation with all the legitimate wiles of accomplished and astute diplomacy. They threw themselves into the society of Washington with the abandon and enjoyment of a group of visitors solely intent on pleasure." "At last, after several days of uninterrupted festivity," writes Oliphant, "I began to perceive what we were driving at. To make quite sure, I said one day to my chief, 'I find all my most intimate friends are Democratic Senators.' 'So do I,' he replied dryly."

In a letter written at the time Oliphant describes more minutely the methods used by Lord Elgin in his personal intercourse with those whom he wished to bring over to his side: "Lord Elgin pretends to drink immensely, but I watched him, and I don't believe he drank a glass between two and twelve. He is the most thorough diplomat possible,—never loses sight for a moment of his object, and while he is chaffing Yankees and slapping them on the back, he is systematically pursuing that object. The consequence is,

he is the most popular Englishman that ever visited the United States."

At last, after about ten days of social activity, Lord Elgin informed Mr. Marcy that if the government was prepared to adhere to its promises to conclude a reciprocity treaty with Canada, he could assure the President that a majority of the Senate would be found favorable to it. "Mr. Marcy," says Oliphant, "could scarcely believe his ears, and was so much taken aback that I somewhat doubted the desire to make the treaty, which he so strongly expressed on the occasion of Lord Elgin's first interview with him, when he also pronounced it hopeless." The next three days were occupied with the arrangement of the details of the treaty, which had to be hurried through as Lord Elgin was due at the seat of his government.

"We are tremendously triumphant; we have signed a stunning treaty. When I say we, it was in the dead of night, in the last five minutes of the fifth of June, and the first five minutes of the sixth day of the month aforesaid, that in a spacious chamber, by the brilliant light of six wax candles and an Argand, four individuals might have been observed seated, their faces expressive of deep and earnest thought not unmixed with cunning. Their feelings, however, to the acute observer, manifested themselves in different ways; and this was but natural, as two were young and two aged,—one, indeed, far gone in years, the other prematurely so. He it is whose measured tones alone break the solemn silence of midnight, except when one of the younger auditors, who are intently poring over voluminous MSS., interrupts him to interpolate 'and' or scratch out 'the'. They are, in fact, checking him, and the aged man listens while he picks his teeth with a pair of scissors, or clears out the wick of the candles with their points and wipes them on his hair. He may occasionally be observed to wink either from conscious 'cuteness or unconscious drowsiness. Attached to these three MSS. by red ribbons are the heavy seals. Presently the clock strikes twelve, and there is a doubt whether to date it to-day or yesterday. For a moment there is a solemn silence, and he who was reading takes the pen, which has previously been impressively dipped in the ink by the most intelligent of the young men, who appears to be his secretary, and who keeps his eyes wearily upon the other young man, who is the opposition secretary, and interesting as a specimen of a Yankee in that capacity. There is something strongly mysterious in the scratching of that midnight pen, for it is scratching away the destinies of nations; and then it is placed in the hands of the venerable file, whose hand does not shake, though he is very old, and knows he will be bullied to death by half the members of Congress. The hand that has used a revolver upon previous occasions does not waver with a pen, though the lines he traces may be an involver of a revolver again. He is now the Secretary of State; before that, a general in the army; before that, a governor of a state; before

that, Secretary of War; before that, minister to Mexico; before that, a member of the House of Representatives; before that, an adventurer; before that, a cabinet-maker. So why should the old man fear? Has he not survived the changes and chances of more different sorts of lives than any other man? and is he afraid of being done by an English lord? So he gives us his blessing, and we leave the old man and his secretary with our treaty in our pockets."

In this rather grandiloquent style Oliphant described the signing of the treaty in a letter written to his mother upon June 7, 1854.

Doubts have been expressed as to the means employed in the negotiation of the treaty. Enemies of Lord Elgin at home and in the provinces said that it was bought with British gold. American opponents of the treaty declared that it was "floated through on champagne." While there is no reason to believe that open bribery was used, there does appear to be ample evidence that the second charge was well founded, and Lord Elgin's secretary does not hesitate to admit its substantial truth, for he says in his account of the negotiations that "without altogether admitting this, there can be no doubt that in the hands of a skillful diplomatist that liquor is not without its value."

Although the means used in the negotiation of the treaty were not such as to reflect credit upon those engaged in them the preceding attempts to obtain reciprocal trade privileges show that it had a substantial movement behind it and was not merely "floated through on champagne." An act to carry the treaty into effect was passed by Congress and approved by the President, August 5, 1854. This act (Thirty-third Congress, First Session, Chapter 259, 1854), provided that—

"Whenever the President of the United States shall receive satisfactory evidence that the Imperial Parliament of Great Britain and the provincial Parliaments of Canada, New Brunswick, Nova Scotia and Prince Edward's Island have passed laws on their part to give full effect to the provisions of the treaty between the United States and Great Britain, he is hereby authorized to issue his proclamation declaring that he has such evidence, and thereupon, from the date of such proclamation," the provisions of the treaty should take effect.

The President issued his proclamation March 16, 1855.

For the first few years the treaty seems to have been popular. The condition of the country remained pros-

perous. In 1857, however, came the great crisis of that year, and before the country had fairly recovered from the effects of that disturbance, the slavery question had reached such a stage that war alone could settle it. The "irrepressible conflict" came and the reciprocity treaty was doomed. As we shall see later, the treaty was far from satisfactory, even to its friends, looking at it from a purely economic point of view. But it would never have been abrogated on account of its defects, for those could have been remedied by negotiation. It fell a victim "to the anger which the behavior of a party in England had excited in America." Moreover, there were the inevitable commercial disturbances of a time of war.

One slight attempt was made in 1858 to extend reciprocity; but it failed. The first proposition, made May 18, proposed to place certain products upon a footing with the articles exempted from duty under the reciprocity treaty of 1854. The second proposition was in the form of a joint resolution authorizing the President, "whenever he shall receive satisfactory information that hay and hops, being the products of the United States, and exported thence to any of the British North American provinces, are admitted free of duty, to issue his proclamation declaring hay and hops, the products of those provinces, shall be admitted free of duty."

In March, 1860, the House passed a resolution requesting the President to give it all the information in his possession relative to the working of the treaty. Particular information was requested as to "Whether the provincial government of Canada has not, through its legislature violated the spirit of said treaty; what has been the practical effect of the third clause upon the interests of the respective countries; what measures, if any, have been taken to procure correct information touching the practical operation and effect of the third article upon the interests of the American citizens, and whether, in his opinion, the third article could not, with advantage to American interests, be either amended or rescinded."

From this time on until the final abrogation of the treaty, it remained a frequent subject of controversy between the friends and opponents of the reciprocity policy. Elaborate reports were made from time to time by the committee on commerce of the House. Of these reports the most exhaustive was that prepared by Elijah Ward, of New York, for the committee on commerce, and presented to the House on February 5, 1862. This report states in a clear and thorough manner the position of the friends of the treaty. Mr. Ward, while criticising many of the features of the treaty, and especially referring to the hostile policy of Canada in discriminating against American vessels using its canals under the provision for free navigation, believed in the general soundness of the policy of reciprocity, and advocated a revision of the treaty.

In reply to this report the Canadian minister of finance made a defense of the policy of his province. The report took up in detail the several causes of dissatisfaction mentioned by the Americans.

Besides the report of 1862 and the Canadian reply, there was a brief report made in April, 1864, from the committee on commerce. This also was the work of Mr. Ward, and really formed a supplement to his report of 1862. It formed the basis of the final struggle in the House over the abrogation of the treaty. The final paragraph recommended—

"That the President be authorized to give notice to the government of Great Britain that it is the intention of the government of the United States to terminate the reciprocity treaty made with Great Britain for the British North American provinces. . . . unless a new convention shall be concluded between the two governments, by which the provisions shall be abrogated or so modified as to be mutually satisfactory to both governments; and that the President be also authorized to appoint three commissioners, by and with the advice and consent of the Senate, for the revision of the treaty, and to confer with other commissioners duly authorized therefor, whenever it shall appear to be the wish of the government of Great Britain to negotiate a new treaty between the two governments and the people of both countries, based upon true principles of reciprocity, and for the removal of existing difficulties."

The report was accompanied by a joint resolution embodying the substance of the recommendations of the committee on commerce. This joint resolution was the subject

of the debate in the House upon the abrogation of the treaty on May 18-19 and May 24-26. In this debate Mr. Ward acted as the leader of the friends of the treaty, making two able speeches in its favor, at the opening and closing of the debate respectively. He was supported by Isaac N. Arnold of Illinois, Thomas D. Eliot of Massachusetts, John V. L. Pruyn and Thomas T. Davis of New York, Rufus F. Spaulding of Ohio, J. C. Allen of Illinois, and L. D. M. Sweat of Maine. Justin S. Morrill of Vermont led the opposition, assisted by Frederick A. Pike of Maine, Francis W. Kellogg of Michigan, and Portus Baxter of Vermont. The merits of the debate were certainly with the friends of the treaty, for the opposition contented itself with denunciation of the treaty, and with invectives against the unfriendly policy of Great Britain.

Mr. Arnold, of Illinois, offered an amendment to the resolution proposed by the committee on commerce. This amendment authorized the President to use his discretion in abrogating the treaty in case of a failure in the negotiation of a revised treaty satisfactory to both governments. Mr. Morrill of Vermont proposed an amendment in the nature of a substitute for the resolution of the committee on commerce. This provided for an unconditional abrogation of the treaty.

On May 26, 1864, the House voted upon the three propositions before it. Mr. Arnold's amendment was defeated by a vote of 54 to 97. Mr. Morrill's substitute met the same fate by a vote of 74 to 82. The original resolution of the committee was finally postponed to the second Tuesday in December by a vote of 77 to 72, after having been read a third time. A motion to lay the resolution on the table failed by a vote of 73 to 76.

On December 13, 1864, the House took up the joint resolution and passed it by a vote of 85 to 57, forty members not voting. A good deal of party manoeuvring preceded the final vote, the opposition led by Mr. Morrill attempting to substitute a resolution for unconditional abrogation.

The second great debate upon the resolution occurred in the Senate in January, 1865.

On December 14, 1864, the Senate received the resolution from the House and referred it, after a short debate, to the committee on foreign relations. Senator Grimes of Iowa moved that the resolution be referred to the committee on commerce, as it refers to commercial relations existing between this country and the provinces of Great Britain." In reply Senator Sumner said that "every question of commerce between the two countries, even if it is the subject of negotiation, must be referred to the committee on commerce, and you may as well dismiss your committee on foreign relations." Finally the resolution was referred to the committee on foreign affairs.

This action of the Senate indicates the way in which the measure was to be considered. Instead of treating the matter as one of commercial relations, the Senate proceeded to act upon it as a political measure. As I have already said, this was the attitude of the opponents of the treaty throughout the whole discussion.

The committee on foreign relations, through Mr. Sumner, reported an amendment to the original resolution, providing for the unconditional abrogation of the treaty.

The debate upon the amendment lasted through the two days, January 11-12, 1865, and ended with the passage of the measure on the latter day by a vote of 33 to 8.

The debate was long and thorough. The opposition excelled in the brilliancy of its speakers. Charles Sumner, John Sherman, Jacob Collamer and Solomon Foot of Vermont, Zachariah Chandler of Michigan, James R. Doolittle of Wisconsin, Nathan A. Farwell of Maine, and John Conness of California, spoke for the abrogation. John P. Hale of New Hampshire, Alexander Ramsey of Minnesota, Timothy O. Howe of Wisconsin, and Thomas A. Hendricks of Indiana opposed the abrogation.

The prestige of distinguished services was certainly with the opposition, but the strength of solid argument rested

with the friends of the treaty. Said Senator John P. Hale, in concluding his speech in favor of a revision of the treaty:

"If the treaty is imperfect and needs amendment, that (the proposed amendment for revision) is the true, statesmanlike, Christian way of annulling it. . . . But if, on the other hand, smarting as we now are under what we believe and feel to be injustice on the part of these colonies, we resort to this legislation at this time, in this hour, under such impulses, it will tend to increase and intensify all the bad feelings that have unhappily existed; will, in fact, retard, if not render utterly impossible any future progress in the line of reciprocity between these two countries."

A brief quotation from the speech of an opponent will indicate the spirit with which the treaty was attacked. Said Senator Jacob Collamer of Vermont.

"I acknowledge that I have some prejudice against this treaty. I am a little situated as my old neighbor Judge Chipman was when he was called upon to testify whether a certain witness was a man of truth. He said he was not. He was then asked, 'Sir, are you not conscious that you labor under a prejudice against that man?' He answered, 'I think it likely that I am, I have detected him stealing two or three times.'"

Justice to the opponents of the treaty requires it to be said that the quotation just cited is an extreme example of the opinions of that party. The address of the late Hannibal Hamlin before the commercial convention at Detroit, in July, 1865, indicates the opinions of the more moderate opponents of the treaty. He said:

"I was educated in the school of free trade,—not free trade in slices. I affirm that that is the most obnoxious system of legislation that can be devised by man. I am for free trade. . . . But what do I mean by free trade? Not that system which selects a few articles and makes them entirely free, rendering it necessary that you shall impose additional revenue upon other articles in order to make up for the deficiency. That is free trade in slices, and it cannot be defended upon any principle of political economy ever enunciated by any man."

On January 16, 1865, the House concurred in the amendment of the Senate to the joint resolution. The resolution, as finally passed, proposed an unconditional abrogation of the treaty, "as it is no longer for the interests of the United States to continue the same in force." This resolution received the approval of the President, January 18, 1865. The treaty terminated March 17, 1866.

Delegates from Canada, New Brunswick, and Nova Scotia arrived at Washington January 24, 1866, and remained there until February 6. The delegates were A. J. Galt, minister

of finance, and W. P. Howland, postmaster-general, representing Canada; A. J. Smith, attorney general of New Brunswick, and W. A. Henry, attorney-general of Nova Scotia. After many days discussion the negotiations terminated unsuccessfully.

The unsuccessful attempt at renewal made by the provincial delegates was followed by an equally unsuccessful attempt to continue a semblance of reciprocity by means of legislation. During the last week in February a bill with such an object in view, was introduced in the House by Mr. Justin S. Morrill, chairman of the committee on ways and means, and was debated on March 6, 7, 9, 12. But even a bill, which offered terms that could only be called reciprocal by "political" license, had no chance of success in the existing state of opinion in Congress and in the country. Mr. Morrill set the keynote of the debate when he said in his speech at the opening of the discussion, that "the treaty was an ill-omened one from the start, having been first extorted from us by the armed raid upon our fishermen in 1852, made by the combined armaments of the provinces, and led on by the imperial government; and secondly, won from us by the delusion that favor would beget fraternity. We are too old to be again deluded, and being quite able to withstand a bite, we shall be less likely to yield to a growl." A few believed that the wiser policy was to cultivate friendly relations with the provinces, but the majority thought otherwise, and the bill failed to pass. One of the minority said during the debate that—

"He would not have risen. . . . if he had not voted last year, with others, for an abrogation of the reciprocity treaty, and if he did not see now, from the tendencies and sympathies of the House, that the moment the bill passed from the hands of the committee of the whole it would receive its final death blow. He did not believe that there would have been thirty votes obtained in this House last year for the abrogation of the reciprocity treaty with Canada, but for the explicit understanding that some sort of reciprocity in trade would be forthwith re-established, either through the treaty-making power, or through the legislative power of the government. The people of the United States were ground down by the internal revenue taxation, and he had not felt at liberty to make some sort of bargain with the people of Canada, that whatever our internal revenues might be, the same would be levied, either by them or by us, on our

imports from them. It was exclusively on that understanding that he had voted for the abrogation of the treaty. And he now saw in the additional claims of those who represented the lumber interests, and the coal and other interests of the country, that advantage was to be taken of the present opportunity, and that never again were we to have reciprocity with the neighboring provinces. . . . If that were to be so, he never should regret any vote that he gave in his life as he would regret his vote of last winter, to abrogate the treaty. He had given it with the understanding that it should be substantially renewed."

Why was the treaty abrogated? Charles Francis Adams, minister to Great Britain, wrote February 2, 1865, to Secretary Seward that in his belief "all these measures (for abrogation) were the result rather of a strong political feeling than of any commercial considerations. I should not disguise the fact of the prevalence of great irritation in consequence of the events that had taken place in Canada; neither should I conceal my regret, as it seemed to me to be one of the cardinal points of our policy, both in a political and commercial sense, to maintain the most friendly relations with the whole population along our northern border."

Senator Wilson, of Massachusetts, said in the Senate, January 12, 1865:

"When this treaty was negotiated it was believed to be for the general interests of the country, and in Massachusetts it was especially believed to be for our fishing, manufacturing, commercial and railroad interests. I have ever been in favor of the treaty, and up to this time could never have been induced to vote against it. I am not clear now that it is not for the interests of the state I in part represent to let it stand. I am inclined to think it is for our interest that the treaty should stand as it now does. For the interests of the whole country I am of the opinion that it ought to be modified or perhaps abrogated."

A convention composed of boards of trade and chambers of commerce of the United States and British North American provinces met at Detroit July 11-14, 1865, by invitation of the local board of trade, to protest against the abrupt termination of the reciprocity treaty. This convention was composed of business men and others, representing the leading commercial bodies of the country. Representatives were present from New York, Michigan, Massachusetts, Maine, Illinois, Ohio, Canada (west), Prince Edward Island, Pennsylvania, Nova Scotia, Canada (east), Wisconsin, Minnesota, Missouri, New Brunswick. Among these were Lyman Tremain, John V. L. Pruyn, late chancellor of the Univer-

sity of the state of New York, and Martin Townsend, of New York; Frederick Farley, afterward president of the national board of trade; John Welsh, afterward minister to Great Britain; A. G. Cattell and William Elder, of Pennsylvania; Joseph S. Ropes, James E. Converse and W. W. Greenough, of Massachusetts; Morrison R. Waite, afterward chief justice of the supreme court of Ohio; James F. Joy, of Michigan, and others. The convention came "to substantial unanimity and they united in urging upon the government at Washington the great importance of immediately opening negotiations with the British government for a new arrangement, at the least as liberal on both sides as the one about to expire had been, and as much broader as should appear practicable. Their action was approved by every board of trade and chamber of commerce in the country taking any interest in the matter; it was disapproved, so far as we ever heard, by none."

And yet Mr. Larned, in his report in 1871 declares that the treaty was "justly abrogated in 1866 with the very general sanction of public opinion in the country." Do the opinions of a minister to England, of a senator of the United States and of a convention of representative business men, count for nothing?

The Working of the Treaty

Of the effect of the treaty upon the commerce of the two countries Senator Sumner said in a speech delivered in the Senate in January, 1865, in favor of its abrogation:

"This has increased immensely, but it is difficult to say how much of this increase is due to the treaty and how much is due to the natural growth of population and the facilities of transportation in both countries. If it could be traced exclusively, or in any large measure, to the treaty, it would be an element not to be disregarded. But it does not follow, from the occurrence of this measure *after* the treaty that it is on account of the treaty. *Post hoc ergo propter hoc* is too loose a rule for our government on the present occasion."

Before beginning a discussion of the effects of the treaty three points must be insisted upon. (1) In a discussion based upon statistics, it must be remembered that the figures used

are not mathematically accurate. Therefore conclusions drawn from them are subject to some qualification, although it is not intended to deal with distinctions so fine that they are likely to be affected by occasional inaccuracies in the details of the statistics. (2) The treaty was only one of several causes at work at the same time upon the commerce of the two countries. The increase of population, the improvement in the means of transportation through the building of canals and railroads, and the development of manufacturing industries, were acting upon trade as never before in the history of the world. (3) The working of the treaty was disturbed by two economic events, the crisis of 1857 and the civil war of 1861-65.

In sixty-four years, 1821 to 1885, the total trade (exports and imports combined) between the United States and the British provinces, increased from \$2,500,495 to \$88,214,020. The trade by decades has been as follows:

1821	\$ 2,500,495	1861	\$51,245,224
1831	4,926,747	1871	59,727,723
1841	8,624,750	1881	87,030,472
1851	19,543,469		

The increase of trade by decades has been as follows:

1821-1831	\$ 2,426,252	1851-1861	\$31,701,755
1831-1841	3,698,003	1861-1871	8,482,499
1841-1851	10,918,719	1871-1881	27,302,749

These figures show that the trade was comparatively small up to 1840; that the decade from 1841-51 witnessed the beginning of the great development of the last fifty years; that the decade from 1851 to 1861 was marked by the greatest increase of trade which has taken place down to 1881; and that the decade from 1861-71 saw the smallest increase since that of 1831-41. The decade 1851-61 included a portion of the period influenced by the reciprocity treaty, while that of 1861-71 covered the period of its abrogation, and of the disturbance caused by the Civil war.

For the twelve years of the continuance of the treaty the total trade year by year was as follows:

1855	\$49,000,000	1861	\$50,000,000
1856	57,000,000	1862	48,000,000
1857	49,000,000	1863	46,000,000
1858	37,000,000	1864	
1859	45,000,000	1865	60,000,000
1860	48,000,000	1866	75,000,000

These figures show the effect of the treaty very clearly. The total trade for the last year before the treaty was \$34,-899,544, while for the first year of the treaty it was \$57,041,-594, an increase of \$22,142,050 for the first year under the treaty compared with an increase of \$9,184,896 during three years (1850-53) before the treaty. Under the favorable conditions furnished by the reciprocity treaty, the trade increased more than twice as much in one year as it had in three years without the treaty.

This increased trade continued with the usual fluctuations during the continuance of the treaty:

Total Trade under Treaty of 1854	1858	.....	\$37,995,673
	1860	.....	49,444,195
	1862	.....	48,888,897
	1865	.....	60,533,561
Total Trade before the Treaty	1844	.....	\$ 8,181,618
	1846	.....	9,344,150
	1848	.....	12,029,122
	1850	.....	16,788,141
Total Trade after the Treaty	1867	.....	\$50,283,464
	1868	.....	48,905,613
	1870	.....	58,134,775
	1872	.....	70,088,925
Total Trade under the Treaty of 1871	1875	.....	\$76,508,092
	1877	.....	75,732,919
	1879	.....	69,677,055
	1882	.....	103,976,742

An examination of the preceding figures shows that the abrogation of the treaty did not seriously disturb the amount of trade. At least the effect was not permanent; for the trade had begun to recover before the negotiation of the treaty of 1871. Of course a considerable portion of this increase may have been due, and undoubtedly was due, to the natural increase of business, the result of the increase of wealth and of improvements in production and transportation, but is it likely that the permanent effects of the treaty had something to do with this increase? May not the influence of the treaty have developed a trade which continued after its expiration? It seems probable to me, and if true, gives to the reciprocity treaty of 1854 an importance which has never been recognized.

Besides the effect of the treaty, as shown by the increase of trade, the amount of the imports into the United States for 1866 (the last year of the operation of the treaty), \$48,528,628, gives ground for the conjecture that this unusually large quantity was due to the desire of business men to profit as much as possible by the treaty. There are two reasons for this conjecture: (1) because the fiscal year ending June 30, 1866, was not coincident with the existence of the treaty, which terminated March 17, 1866. Consequently this excessive importation was the work of less than nine months. (2) This amount of importation was not again reached until 1882, when \$50,775,581 of goods were imported from the Dominion of Canada.

Mr. Larned, in his "Report on Trade with the British North American Provinces," says that—

"To a remarkable extent our present trade with the provinces is what might be characterized as a pure *commerce of convenience*, incident merely to the economical distribution of products which are common to both countries. We exchange with them almost equal quantities of the cereals, and almost equal quantities, on an average of flour. Except so far as concerns the barley that we buy and the Indian corn that we sell to them this trade originates on neither side in any necessity, but is chiefly a matter of simple convenience, of economy in carriage, or of diversification in the qualities of grain. Similarly and for the like reasons we exchange with them about equal quantities of coal. We sell them a certain quantity of hides and skins, and buy half that quantity of the same articles back from them. On the other hand, they sell us provisions and wool and buy our provisions and wool to half the amount in return. Not less than one-third, probably, of the trade now carried on between the United States and the neighboring provinces is of that character, and the fact that it is kept up with so little diminution, notwithstanding the imposition of duties on both sides of the frontier, is significant of the value of the advantages that are found in it."

This "commerce of convenience" is natural enough when we consider the geographical relations of the two countries. The British provinces are by nature divided into groups bearing a closer relation to adjacent portions of the United States than to the other parts of the British possessions. The maritime provinces are more intimately connected with the neighboring New England states than with the Canadas, Ontario and Quebec, while the Canadas in their turn find their easiest communication with the middle states of

the Union. This grouping of the various provinces has received still greater emphasis by the rapid development of the western provinces of the dominion, a development hardly begun at the time of the reciprocity treaty.

The same reason for a "commerce of convenience" appears when we examine the economic relations of the two countries. On this point Goldwin Smith says:

"Let any one scan the economical map of the North American continent, with its adjacent waters, mark its northern zone abounding in minerals, in bituminous coal, in lumber, in fish, as well as in special farm products, brought in the north to hardier perfection, of all of which the southern people have need; then let him look to its southern regions, the natural products of which, as well as the manufactures produced in its wealthy centres of industry, are needed by the people of the northern zone; he will see that the continent is an economic whole, and that to run a customs line athwart it and try to sever its members from each other, is to wage a desperate war against nature."

Furthermore a "commerce of convenience" is not the only necessary commerce between the United States and the provinces. The maritime provinces have lumber, bituminous coal and fish which they desire to sell, and New England is anxious to buy. The Canadas, Ontario and Quebec, produce barley, eggs, and other farm products; horses, cattle and lumber, for the sale of which they look to New York and other neighboring states. All the provinces want to get American manufactures as well as the products of a more southerly climate in return.

The argument of the opponents of reciprocity, that there cannot be profitable commerce between Canada and the United States, because their products are the same, is not true. The United States includes regions and productions almost tropical. Canada has bituminous coal, which is needed in parts of the United States, and an abundance of nickel, of which there is but little in the United States. Canada has a vast supply of lumber, and the United States needs all that it can get. Both countries produce barley, but the Canadian barley is the best for making beer.

"High as the tariff wall between Canada and the United States is, trade has climbed over it." In 1889 the trade between Canada and the United States was greater than that

between Canada and any other country, and nearly as great as that between Canada and all the countries in the world put together.

The treaty was intended to provide for the exchange of natural products between the two countries, and with very few exceptions these products were in the crudest possible condition, just as they were taken from the field or forest, or dug from the soil, or obtained from the sea. They were raw materials in the fullest sense of the word, and may be grouped under five heads: products of the mine, of the forest, of the sea, animal products and agricultural produce.

Products of the Mine.—

Coal, ores of metals of all kinds; stone or marble, unwrought; grindstones, wrought and unwrought; slate; gypsum, ground and unground.

Products of the Forest.—

Timber and lumber, round, hewed, sawed; firewood; pitch, tar and turpentine.

Products of the Sea.—

Fish and fish products.

Animal Products.—

Animals of all kinds; meats, fresh, smoked, salted; hides, furs, skins, undressed; poultry, eggs, butter, cheese, tallow, lard, horse manures, pelts, wool.

Agricultural Products.—

Grain, flour and breadstuffs; cotton-wool, seeds and vegetables; dried and undried fruits; plants, shrubs and trees; rice, broom-corn and bark; flax, hemp and tow; tobacco, unmanufactured.

In this list a few are included which may, perhaps, not be fairly classed as raw products. For instance, flour, smoked and salted meats, dried fruits; timber and lumber, round, hewn, and sawed. But these form a small number compared with the total number provided for by the treaty.

The trade for the ten years, 1853-1863, may be summarized as follows:

Products of the Mine (imported into United States).—

1853	\$58,400
1856	84,228
1860	318,537
1863	1,114,831

Products of the Forest.—

1853	\$2,589,898
1856	3,345,284
1860	4,019,278
1863	3,679,559

Products of the Sea.—

1853	\$73,422
1856	140,948
1860	185,873
1863	957,166

Animal Products.—

1853	\$1,107,870
1856	2,375,388
1860	3,557,912
1863	3,133,463

Agricultural Products.—

1853	\$4,949,576
1856	11,864,836
1860	10,013,799
1863	7,005,826

The largest imports before the treaty were of agricultural produce, and in 1863 they remained still the largest, having also made the largest gain—about three millions—during the decade. The second place, both in 1853 and in 1863, belonged to the products of the forest, the gain, however, being inferior to that made by animal products. Animal products occupied the third place at the beginning and the ending of the period, while the gain was superior to that made by the products of the forest. The fourth and fifth places were held by fish products and the products of the mine, the latter displacing the former between 1853 and 1863.

Turning now to the imports from the United States into Canada, we have the following figures:

Products of the Mine (imported into Canada).—

1853	\$126,586
1856	488,984
1860	406,688
1863	647,965

Products of the Forest.—

1853	\$66,620
1856	302,904
1860	137,392
1863	134,281

Products of the Sea.—

1853	\$383,436
1856	411,716
1860	227,112
1863	281,023

Animal Products.—

1853	\$570,587
1856	2,896,838
1860	1,679,912
1863	3,050,294

Agricultural Products.—

1853	\$668,113
1856	3,809,112
1860	4,603,114
1863	8,137,447

As is the case of the United States imports, the largest item in the Canadian in 1853 was that of agricultural produce, and this proportion remained the same in 1863, the increase being remarkable—about seven and a-half millions. The second place was held by animal products, both at the beginning and at the end of the period, the gain also being next in amount to that of agricultural produce. Products of the sea occupied the third place at the beginning, but had fallen to fourth place at the end, with the additional dis-

grace of having had a decrease instead of a gain during the ten years. Products of the mine rose from fourth place to third from 1853-1863, making a gain in amount next to that of animal products. Finally products of the forest held and retained the fifth place.

The following figures show the amount of the trade in a few leading articles:

Animals (imported into United States).—

Increase.

1862	\$1,532,957	
1865	5,503,318	\$3,970,361

Barley.—

1862	1,095,443	
1865	4,093,202	2,997,759

Timber.—

1862	2,526,658	
1865	4,515,626	1,988,968

Oats.—

1862	634,176	
1865	2,216,722	1,582,546

Wool.—

1862	569,839	
1865	1,527,275	957,436

Meats.—

1862	128,935	
1865	850,328	721,393

Coal.—

1862	614,556	
1865	1,210,004	595,448

Grain, all kinds (imported into Canada).—

1858	2,078,464	
1863	5,062,610	3,984,146

Meats.—

1858	544,366	
1863	1,238,923	694,557

Coal.—

1858	242,700	
1863	548,846	306,146

Animals.—

1858	240,186	
1863	520,835	280,649

Hides.—

1858	125,000	
1863	384,951	259,951

Cheese.—

1858	90,045	
1863	294,327	204,282

Wool.—

1858	11,101	
1863	208,858	197,757

Flour.—

1858	750,580	
1863	898,029	147,449

These figures show that the articles of first importance on the side of the United States were those of animal products, and barley, timber, oats, wool, meats and coal; on the side of Canada grain occupied the first place, followed by meats, coal, animals, hides, cheese, wool, and flour. If barley and oats were combined in the United States imports as they are in the Canadian under the single head of grain, they would take the first place, and grain would then be the largest import into both countries. Of course these figures are not for the same years and some slight allowance must be made for the varying conditions of the two periods. The period 1858-1863 covers only a part of the war period, while the years 1862-1865 are wholly included in that period. As was said at the beginning of the discussion, the course of trade under the treaty was disturbed by two great economic events, so that no certain inference may be drawn from the actual course of trade. Moreover, the whole period of the

treaty was almost too short to allow sound conclusions to be drawn from the figures representing its progress.

The trade between the United States and the other British provinces from 1849-1863 can be summarized as follows: the figures are taken from a table of leading exports to British provinces other than Canada from 1849-1863.

Wheat.—

1849	332,765
1853	208,956
1856	268,959
1860	90,049
1863	110,333

Wheat Flour.—

1849	1,518,922
1853	784,498
1856	3,120,787
1860	3,044,243
1863	4,420,748

Indian Corn.—

1849	126,791
1853	105,404
1856	136,774
1860	85,915
1863	131,552

Meal, Corn and Rye.—

1849	625,691
1853	135,040
1856	631,959
1860	206,881
1863	286,238

The most noticeable features in these figures are the decline in the amount of exports in wheat, corn and rye meal, and the large increase in wheat flour. The population of the maritime provinces was small and their resources were undeveloped. New England had not yet come to need the raw materials of which the provinces possessed an abun-

dance, and therefore the resources were not developed during the continuance of the treaty. These reasons probably explain to a considerable extent the failure of the treaty to produce a greater effect upon the trade. The remarkable increase in the export of wheat-flour from a million and a-half to nearly four millions and a-half—may be explained by the fact that the United States imported wheat and re-exported it in the form of wheat-flour.

The following figures show the relative amount of trade between the United States and Canada, and between the United States and the other British provinces:

United States Exports.

	Canada.	Other Provinces.
1850	4,285,470	1,358,992
1853	5,278,116	2,272,602
1856	17,488,197	3,822,224
1860	18,861,673	4,989,708
1862	15,253,152	4,046,843

United States Exports.

	Canada.	Other Provinces.
1850	5,930,821	3,618,214
1853	7,829,099	5,311,543
1856	20,883,241	8,146,108
1860	14,083,114	8,623,214
1862	12,842,504	8,236,611

The proportion of trade with these two groups, the Canadas and the maritime provinces, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, seems to have been little affected by the treaty. The imports from Canada were three times as large as those from the maritime provinces in 1850 and in 1862. The exports, too, bore about the same proportion to each other in both years, those

to Canada being somewhat less than twice as large as those to the maritime provinces. The effect of the treaty appears much more striking in the Canada trade than in that to the maritime provinces. From 1853-1856 the imports from Canada were more than trebled, while those from the maritime provinces do not double. The exports to Canada during the same period nearly treble, while those to the other provinces again do not double. The total trade between the United States and Canada was in—

1853	13,107,215
1856	38,371,438

The total trade between the United States and the maritime provinces was in—

1853	7,584,145
1856	11,968,332

During the discussion over the abrogation of the treaty the common assertion was that the United States allowed the principal Canadian exports to enter free of duty, while Canada, on the other hand, imposed a duty upon exports of manufactured goods of the United States. The following figures show the amounts of free and dutiable goods imported into the United States and Canada in several different years from 1850-1862:

United States Imports

	Free	Dutiable
1850	\$ 787,599	\$ 4,856,863
1853	1,418,250	6,132,468
1856	20,488,697	821,724
1860	23,180,971	690,411
1862	18,770,737	529,258

Canadian Imports

	Free	Dutiable
1850	\$ 791,128	\$ 5,803,732
1853	1,125,565	10,656,582
1856	9,933,586	12,770,923
1860	8,746,799	8,526,230
1862	19,044,374	6,128,783

Of the United States imports the amount of free importation increased from \$787,599 in 1850 to \$23,180,971 in 1860, while that of dutiable goods decreased from \$6,132,468 in 1853 to \$529,258 in 1862. Of Canadian imports the free importations increased from \$791,128 in 1850 to \$19,044,374 in 1862, while the dutiable goods remained about the same amounting to \$5,803,732 in 1850 and to \$6,128,783 in 1862. An actual increase in the amount of dutiable goods occurred from 1853 to 1856. The figures for these years were as follows:

1853	\$10,656,582
1854	13,449,341
1855	11,449,472
1856	12,770,923

The amounts gradually declined, until in 1862 it reached the lowest amount of the twelve years, 1851-1862 inclusive. The large amount of dutiable goods may have been the result of the better trade relations established between the two countries by the treaty, although the largest amount of dutiable imports during the period 1850-62 was in 1854, the year before the treaty went into operation. The amount of dutiable goods imported into Canada, on the other hand, increased absolutely, although the amount bore a smaller proportion to the total trade. The increase in free goods was about the same in both countries, except for the years, 1856 and 1860, when the increase of United States imports was much greater than that of Canadian imports.

The treaty of 1854 applied almost exclusively to nat-

ural products, leaving manufactures upon the same foundations upon which they had rested before the treaty. Curiously enough, however, the question of manufactures played an important part in the abrogation of the treaty. The one really serious complaint made by the opponents of the treaty against it, and admitted even by its friends, was the violation of the spirit of the treaty by the province of Canada by the increase of the provincial tariff on articles not included in the treaty.

The importance of this action of Canada will be understood when it is remembered that the population of Canada formed the largest portion of the population of the provinces, being 2,500,000 out of a total of 3,253,000. The Canadian trade, therefore, formed by far the largest part of the trade of the British provinces, that of the remainder, containing only about 700,000 inhabitants, being relatively unimportant. With these other provinces there was no dissatisfaction during the existence of the treaty. Trade with them was a local matter of interest only to the people of New England. Their slow development had not in 1860 made clear the importance of their natural resources. Hence the arguments for a closer union with the maritime provinces, so prevalent to-day, had not yet made their appearance.

The increase of the Canadian tariff was a part of the same policy which had dictated the negotiation of the reciprocity treaty, a policy having for its object the development of the resources of the provinces. To carry out this policy the Canadian government embarked on a system of internal improvement destined to develop their resources. Canals were built and improved, the navigation of the St. Lawrence was improved, and railroads were constructed. The idea of the government seems to have been to direct the carrying trade of the new western states of the Union from the railroads and canals of New York to Canadian canals and railroads. The negotiation of the reciprocity treaty gave a favorable opportunity for such a scheme.

These improvements in transportation were undertaken

by the government and were mainly dependent upon subsidies and municipal bonds. No doubt the object of these works was as much political as commercial, the desire of the Canadian statesmen having been to consolidate the separate provinces and by an increase in the material wealth of the people to remove all discontent, which from the situation of the country, so easily developed into a desire for annexation to the United States.

Whatever the objects of the Canadian government, such works required large revenues for their completion. Some increase of taxation became necessary. The easier method seemed to be to raise the tariff. This could not be done in the case of those articles included in the treaty, but could be done in the case of manufactured goods. This was done, and then arose the grievance of which the Americans so bitterly complained. From year to year, as a greater revenue was required, a higher tariff was imposed to the increasing disgust of the American manufacturer.

The yearly changes from 1855-1859 in certain articles were as follows:

	1855.	1856.	1857.	1858.	1859.
Molasses	16%	11	11	18	30
Sugar (refined)..	32	28	25	26½	40
Sugar (other.)..	27½	20	17½	21	30
Boots and Shoes	12½	14½	20	21	25
Harness	12½	17	20	21	25
Cotton Goods...	12½	13½	15	15	20
Iron Goods	12½	18½	15	16	20
Silk Goods	12½	13½	15	17	20
Wool Goods	12½	14	15	18	20

The complaint of the Americans might have had a doubtful justification before the outbreak of the civil war, while the tariff of 1857 was in force. It could have none at all after the war tariffs came into existence. Even under the tariff of 1857, the tariff rate of the United States upon cotton and woollen goods was 24 per cent., 4 per cent. higher than the Canadian duty under the tariff of 1859.

But the justification of the complaint does not rest with the comparative rate of duties. No formal complaint of a violation of the treaty was made by either party. The United States claimed that the treaty was made with the understanding that the tariff of Canada would remain the same as it had been at the conclusion of the treaty. But no clause to such an effect had been added to the treaty, and the United States could expect only a strict adhesion to the terms of the treaty.

The following figures show the effect of the higher Canadian tariff upon the exports of manufactures from the United States:

Cotton Manufactures.—

1858-59	\$363,016
1862-63	64,495

Iron Manufactures.— (except Pig Iron).

1858-59	761,619
1862-63	395,907

Boots and Shoes.—

1858-59	211,147
1862-63	22,860

Tobacco (Manufactured).—

1858-59	1,205,684
1862-63	76,026

House Furniture.—

1858-59	136,765
1862-63	66,718

Books.—

1858-59	154,034
1862-63	25,164

Hats.—

1858-59	116,150
1862-63	14,078

Musical Instruments.—

1858-59	104,534
1862-63	67,445

Unenumerated.—

1858-59	\$624,534
1862-63	401,227

These figures show a marked decrease in the exports of American manufactures to Canada from 1858 to 1863. Undoubtedly the increase in the rate of the Canadian duties upon manufactured articles, was one of the causes of this falling off. Yet it must be remembered that the Civil war broke out during the period, and that the effect which it produced upon the export of manufactures must have been considerable, especially in the case of the cotton manufactures. The needs of the United States increased, while its power of production diminished. This, of course, applied to all branches of production.

The following figures show the total amounts of the exports of American manufactures to Canada for the several years from 1858-1859 to 1862-1863.

1858-59	4,185,516
1859-60	3,548,114
1860-61	3,501,642
1861-62	2,596,930
1862-63	1,510,802

The privilege of free navigation of the river St. Lawrence, conferred by the fourth article of the treaty, had long been a subject of negotiation between the United States and Great Britain. The United States claimed a right of free navigation as "a riparian state of the upper waters of the river and of the lakes which feed it." This privilege, granted temporarily in 1854, was given permanently by article XXVI of the treaty of 1871.

Besides the privilege of navigating the St. Lawrence, that of navigating those canals of Canada which formed the means of communication between the lakes and the sea, was granted by the fourth article of the treaty. This privilege proved a bone of contention between the two countries.

The interest of the United States in the navigation of the

Canadian canals by its citizens upon the same terms with Canadians related to the increasing needs of means of transportation from the grain producing states of the northwest to the sea-coast. The railroad system in the United States was still in the early stages of its development, the great through lines between the interior and the sea-coast not being completed until nearly ten years after the period of the reciprocity treaty. Great dependence was still made upon the canal system of the country, and many attempts were made for the improvement of the existing system. Doubtless, too, the blockade of the Mississippi during the Civil war, thus cutting off one means of transportation to the sea, made the desire for any other possible avenue of communication with the sea stronger than it would otherwise have been.

The inadequacy of the existing means of transportation led, too, to a natural suspicion on the part of the producers of western grain that the owners of railroads and canals would use them for the furtherance of their own interests to the injury of the helpless producers. Thus early appeared the western hostility to railroads, which later influenced the legislation of many states.

Besides the western producers, anxious for a new avenue for the transportation of their products to market, a certain commercial element favored the continuance of free navigation, hoping thereby to profit by means of the larger trade which would be brought to their doors. This element seems to have been most active in the northern parts of New York, especially in Rochester, Oswego and Ogdensburg. Their expectation seems to have been to obtain a large share of the business of transportation from the west to the sea-coast. The course would naturally be, they thought, from the lakes through the Welland canal and Lake Ontario to their own wharves. Then they would profit greatly by such a trade.

But the interest of Canada in granting the privilege of navigating her canals to foreigners seems to have been clearly connected with the policy of internal development to

which I have already referred. The canals were built for the benefit of Canada, and the grant of special privileges to Americans was expected to work towards that end. The diversion of a large part of the carrying trade from American canals and railroads would be a great gain to Canada and would surely cause such an increase of prosperity that all desire for annexation would die out of the minds of the people. Unfortunately the laws of nature were unfavorable to this scheme. For a good portion of each year the canals and rivers of Canada are frozen over, and consequently this new outlet for the surplus products of the west could have only a limited value. The attempt to thwart the laws of nature did not turn out as the projectors expected.

In the report of Hon. W. P. Howland, finance minister for Canada for the year 1862, the results of this policy are examined. He says that "the movement of property on the provincial canals shows a steady increase."

On the Welland canal the movement was:

	Tons Property.	Tonnage of Vessels.
1859	709,611	856,918
1860	944,084	1,238,509
1861	1,020,483	1,327,672
1862	1,243,774	1,476,842

On the St. Lawrence canals the movement was:

	Tons Property.	Tonnage of Vessels.
1859	631,769	765,636
1860	733,596	824,465
1861	886,908	1,009,469
1862	964,394	1,049,230

In 1860 the tolls on the St. Lawrence canals were abolished and those on the Welland canal reduced.

The report of the finance minister says upon this point, that though there has been an increase in the movement of property by the St. Lawrence route since the change, this increase must not be considered as due entirely to the re-

mission of tolls. "The greatly increased production of cereals in the western states and the figures presently introduced will show that in proportion to that increase, and to the whole volume of agricultural produce moved from Lakes Erie and Michigan to tide-water, we have not obtained so large a traffic since the removal of the tolls as we obtained prior to the adoption of that policy."

While the Canadian canals failed to reap the benefits expected from the reduction of tolls, the Erie canal materially increased its tolls. This increase amounted to an advance of seventy cents per ton on wheat and flour from Buffalo to tide-water, and of forty cents per ton from Oswego to tide-water.

The finance minister concludes from the results of the free canal system that the policy has been productive of benefit, neither to the producer nor to the consumer of western breadstuffs. He says that "it can be shown from trustworthy data that, in so far as the actual cost of transportation is concerned, western produce can be carried to tide-water much cheaper by the St. Lawrence than by any competing route." The cause of the failure of Canadian canals to obtain a large proportion of the western trade is due, in the opinion of the minister, to "the absence of sufficient competition among forwarders engaged in the St. Lawrence trade, to the financial relations between shippers engaged in the western trade and the capitalists of New York, and finally and chiefly, to the lower rates of freights from New York to Europe, occasioned by the greater competition at that port than is to be found at Quebec or Montreal. There is but one course open for securing that quota of the western trade which the advantages of the St. Lawrence route give us reason to anticipate. If we can give to the owners of the largest vessels now profitably engaged in the trade of Lake Michigan the option of trading to Kingston and the St. Lawrence, or to Buffalo, as may be found most profitable, we shall have thrown down the barrier which now forces the main current of trade into the Erie canal. We shall have more than balanced the greater insurance and

freights charged from our seaports to Europe over the corresponding charges from New York, and we may thereafter expect Quebec and Montreal to take rank among the greatest grain marts of this continent."

The value of the navigation of the Canadian canals can, I think, be safely inferred from this report of the Canadian minister of finance. Notwithstanding the importance attached to it by the inhabitants of the northwest, the results of its practical use for a series of years were unsatisfactory if not insignificant. In spite of every effort to direct the carrying trade from the Erie canal the Canadian canals obtained only a small fraction of the total trade, and this small fraction seemed to bear a smaller and smaller proportion to the total traffic between the west and the sea-coast.

An examination of the history and effect of the reciprocity treaty of 1854 leads to the conclusion that the measure was favorable to the development of trade between the United States and the British provinces. The statistics of trade indicate a greater increase of commerce during the continuance of the treaty than at any other time during the period from 1820-1880. This increase appears most clearly during the early years of the treaty, for the later years were disturbed by extraordinary economic events. But dependence must not be had exclusively upon statistics, for there were features of the trade which cannot be illustrated by means of statistics. The "commerce of convenience" and the gain to both countries, and especially to the United States, of obtaining raw materials free of duty are subjects incapable of statistical illustration. Imperfections there may have been, and certainly were, as was most natural in a first attempt at a settlement of trade relations on a new basis. These imperfections, however, were not the cause of its abrogation. The cause was political rather than economical or commercial. There is very little doubt, as has been said already, that the attitude of the English towards the North during the Civil war, was the direct cause of the abrogation of the treaty. The evident hostility of the English aroused still more fully all the dormant resentment of

the North, stirred as it was already by the southern rebellion. In such a state of feeling the result of any discussion of the treaty must prove fatal. And so it did. The controversy in regard to renewal began just as the hostility to England was strongest. The arguments of the friends of reciprocity were of no avail. The opponents of the measure appealed to the patriotism of the people, and to their self-interest as well. They showed the great loss of revenue caused by the existence of the treaty; they made it clear that the British colonists were profiting from the needs of the Americans; and they clinched the argument by reminding the people of the hostility of those very people who were growing rich from their necessities. The majority are moved more by their feelings than by their judgment. The business sentiment of the country favored a continuance of the policy of reciprocity, but it was overruled by the burst of patriotic feeling aroused throughout the nation.

The unfortunate fate of the reciprocity treaty has given it a false position in the economic history of the country. As the first measure of its kind in the trade relations of the United States and Canada and with no successor as yet, it seems an isolated thing, unrelated to the preceding or succeeding periods. But this was not really the case. The years from 1846-1870 witnessed the development of a policy on the part of the principal nations of the world in favor of the removal of many of the existing restrictions upon international trade. This policy was shown by the repeal of the corn laws in England, by the development of the *zollverein* in Germany, by the negotiation of numerous commercial treaties and by the reduction of import duties in various countries. In the United States the tendency found expression in the negotiation of the reciprocity treaty and in the reduced tariffs of 1846 and 1857. But this movement, unfortunately, was interrupted by the outbreak of the Civil war in the United States and by the Franco-Prussian war in Europe. The consequence of these two events was the overthrow of the liberal movement in Europe and America. The United States needed greater revenues for the conduct of the war and for the payment of the debt thus incurred.

Europe since 1870 has been an armed camp, and enormous revenues are needed to keep in constant readiness the millions of soldiers, the large navies and the costly defences required in such a state of affairs. With the downfall of the liberal movement disappeared the best hopes of better trade relations between the United States and the British provinces.

Encyclopedia of Social Reform. p. 1051. William D. P. Bliss, ed.

Reciprocity Treaties and Agreements Since 1850.

(Prepared by the Bureau of Statistics of the Department of Commerce and Labor.)

Countries with which Reciprocity Treaties and Agreements have been made		Signed	Took effect	Terminated
British North American possessions (treaty).....	June	5, 1854	Mch. 16, 1855	Mch. 17, 1866
Hawaiian Islands (treaty)...	Jan.	30, 1875	Sept. 9, 1876	Apr. 30, 1900
Brazil (agreement).....	Jan.	31, 1891	Apr. 1, 1891	
Santo Domingo (agreement)	June	4, 1891	Sept. 1, 1891	
Great Britain:				
Barbados (agreement)....	Feb.	1, 1892	Feb. 1, 1892	
Jamaica (agreement).....	Feb.	1, 1892	Feb. 1, 1892	
Leeward Islands (agree- ment)	Feb.	1, 1892	Feb. 1, 1892	
Trinidad (including To- bago) (agreement).....	Feb.	1, 1892	Feb. 1, 1892	
Windward Islands, ex- cepting Grenada (agreement)	Feb.	1, 1892	Feb. 1, 1892	Aug. 27, 1894
British Guiana (agreement)	Feb.	1, 1892	Feb. 1, 1892	
Salvador (agreement).....	Dec.	30, 1891	Feb. 1, 1892 (provisional)	
Nicaragua (agreement)....	Mch.	11, 1892	Mch. 12, 1892	
Honduras (agreement).....	Apr.	29, 1892	May 25, 1892 (provisional)	
Austria Hungary (agree- ment)	May	25, 1892	May 26, 1892	
France (agreement).....	May	28, 1898	June 1, 1898	Still in force
Germany (agreement).....	Jan.	30, 1892	Feb. 1, 1892	Aug. 24, 1894
	July	10, 1900	July 13, 1900	Still in force
Portugal and Azores and Madeira Islands (agree- ment)	May	22, 1900	June 12, 1900	Still in force
Italy (agreement).....	Feb.	8, 1900	July 18, 1900	Still in force
Switzerland (treaty of 1850)	June		1, 1898	Mch. 23, 1900
Switzerland	Jan.		1, 1906	Still in force
Cuba (agreement).....	Dec.	17, 1903	Dec. 27, 1903	Still in force

Reciprocity treaties or agreements were also negotiated and signed under authority of section 4 of the Act of 1897, with the following governments: United Kingdom, for Jamaica, Turks and Caicos Islands, Barbados, Bermuda, and British Guiana; Dominican Republic; Nicaragua; Ecuador; Argentina; France—but the U. S. Senate has not acted upon them.

The treaty with Cuba, which went into operation Dec. 27, 1903, gives a reduction of 20 per cent duty on all dutiable articles from Cuba entering the U. S., and a reduction ranging from 20 to 40 per cent on articles from the U. S. entering Cuba.

Feb. 28, 1906, the president, by proclamation, extended to Germany the benefits of reductions of duty allowed under section 3 of the Dingley Tariff Act. On Sept. 1, 1906, a reciprocal arrangement embracing the same articles went into effect between the U. S. and Spain.

AFFIRMATIVE REFERENCES

Current Literature. 34: 386-7. April, 1903.

United States and Canada.

When the Joint High Commission dissolved its sessions two years ago, it was in a deadlock over the Alaskan Boundary question. The provision now made for settling that question opens the way for a new session of the Commission, of which Sir Wilfrid Laurier is the Canadian head and Senator Fairbanks the American. About the middle of February, Senator Fairbanks communicated with Mr. Laurier touching a reassembling of the Commission with a view to settling all outstanding differences between the United States and Canada other than the Alaskan Boundary question. As a result of the correspondence, the Commission will meet again next fall, after the adjournment of the Canadian Parliament. The questions to be considered are thus enumerated:

Reciprocity is trade.

Transit of merchandise in bond through the territories of the two countries.

Transit of merchandise of one country to be delivered at points in the other beyond the boundary.

Atlantic, Pacific and Great Lake fisheries.

Seal fisheries in Bering Sea and North Pacific.

More complete definition of the boundary line between the United States and Canada.

The armaments which the United States and Canada shall be allowed to maintain on the Great Lakes.

Alien labor laws.

Enjoyment of mining rights by the nationals of one in the territory of the other.

Reciprocity in wreckage and salvage rights.

Transportation of criminals.

There may be no special significance in the resolution introduced into the National House of Representatives on February 25, by Mr. De Armand of Missouri, providing for inquiry whether Great Britain, upon any terms "honorable to both nations and satisfactory to the inhabitants of the territory primarily affected, would consent to cede to the United States all or any part of the territory lying north of and adjoining the United States, to be formed in due time into one or more states and admitted into the Union upon an equality with the other States," but the resolution shows that the question of a union of the United States and Canada is, in one respect, like Shakespeare's famous ghost.

Last fall, speaking at a dinner of the Minnesota Society of New York, Archbishop Ireland prophesied such a union. "There will be no conquest, no war," he declared, but "the hearts across the border are already beating with love for us, and commerce and agriculture are calling for espousals." Somewhat later, however, in an address in the city of Toronto, at the unveiling of a monument to the memory of British and Canadian soldiers who fell in 1812-1815, Hon. G. W. Ross, Premier of Ontario, made a declaration against any proposition to transfer the British possessions in North America to the United States.

The opposition in the States to commercial reciprocity with Canada does much to set Canadians against the realization of Archbishop Ireland's dream of the Stars and Stripes floating "from the Gulf to the Bay." There are, however, currents and counter-currents.

The Canadian Preference League is being organized throughout the Dominion in the interests of Canadian products and institutions against those of the United States. At the same time the Fortnightly Review of London countenances the declaration that England is driving Canada into the arms of the United States by her growing neglect to supply the people with money for Canada's growing industries. The writer, who toured Canada last autumn, says that the Province of Quebec is becoming more French than France and more Roman Catholic than any other part of the world, and declares that suggestions that the French Canadians are most loyal subjects to the throne is a mere fairy tale. He says that there is no English-speaking Canadian but laughs at stories to this effect published in the old country. He also quotes statistics, specially furnished by the Ottawa departments, to prove the inevitable Americanization of the Canadian West, while Canada's dependence on New York channels for British news is working in the same direction.

An article in the London Monthly Review intimates that Canada is being "Americanized" to an extent that makes her loyalty to Great Britain a matter of doubt. London Public Opinion says: "The risks latent in the Americanization of Canada may easily be overestimated at the moment, but they must not be ignored, and no means of lessening them should be missed."

A writer in the *World's Work* shows circumstantially the preponderating part now played by Americans in the industrial development of Canada. "What the social and political result will be it is too early to prophesy. In some quarters of Canada anxiety is expressed, but, it would seem, needlessly. That the fusion of the two peoples caused by counter migration of Americans and Canadians across a purely arbitrary boundary is inevitable is the conclusion of some observers; but at any rate, it guarantees the final occupation of the land by men of the same sturdy stock, speaking the same language and with customs, laws, and religion essentially alike. All the way across the continent American pioneering energy is pushing its conquests northward across the line and the industrial frontier is spreading farther and farther."

In Detroit, last December, a convention of United States business men met to advocate reciprocity with Canada. One speaker declared that the feeling is growing in Canada that the people of the dominion can do without the trade of the United States. A few days later, Sir F. W. Borden, Canadian Conservative leader, expressed the same thing at a banquet in New York, as follows:

We hear a great deal to-day about reciprocity, and we are all waiting for something to arise in this direction. After all our efforts to try to sell our potatoes, barley, and other products to the United States, we were finally compelled to seek a European market, and we found the open market of Britain waiting for us. Now we want to thank the United States for turning us away and teaching us a lesson in self-reliance.

Such utterances led the *Toronto Monetary Times* to say:

Still it must seem, to any outside observer of the geographical and commercial situation of the two countries, a curious thing to find two great and growing nations, close neighbors, engaged for a series of years in maintaining barriers against each other's trade, instead of cultivating friendly relations. The thing is an economic absurdity. But it exists, and the United States is to blame for it, since she did away with the 1854 treaty in an unjustifiable pet, and Canada has time and again offered to reciprocate, but the Washington authorities will not.

The reply to this, by those who justify the course of the United States, is thus put by the *New York Tribune*:

The two points which it is desirable to dwell upon are these—that Canada has no real grievance against the United States and that she now is and long has been discriminating against the United States as between this country and Great Britain. As we have hitherto pointed out, the United States makes no discrimination against Canada. Its rates of import duties are the same for all countries. It taxes Canadian goods no more than those of other lands. Thus there is absolutely no ground for the notion, which some injudiciously put forth, that the United States is treating Canada with special injustice and oppression. This country is doing no such thing. It is treating Canada just as it treats all others, and the Canadian demand is, therefore,

not for the abatement of a special grievance, but for the granting to her of special favors. On the other point named it is to be remarked that Canada has for years had a tariff law under which she has, to our disadvantage, shown special favors to our chief rival in her market. She lets in goods from Great Britain at a much lower rate of duty than similar goods from the United States, and it is notorious that she adopted that system not only for the sake of benefiting Great Britain, but also for the sake of injuring the United States. But this country has not got angry or excited over it. It has placidly acquiesced in Canada's undoubted right to make whatever tariff arrangement she pleases with the mother country, especially since in this case the arrangement is a step toward the adoption of our own principle of free trade among the members of the Union and protection against all the outside world. Only the fact remains that because of that very arrangement it is Canada that is discriminating against us and not we against her.

The Detroit National Reciprocity Convention, above referred to, asked Congress to move for recovering the Joint High Commission to treat with Canada on the basis of reciprocity in natural products. In January, the National Board of Trade, convened in Washington, made a similar request of Congress and indorsed the Bond-Hay treaty with Newfoundland, which, however, Congress has thus far neglected to ratify. Concurrence in the position of the Detroit Convention and the National Board of Trade characterizes branch reciprocity leagues and commercial organizations in various parts of the United States. On the whole, the Hon. John Charlton, M. P., the noted Canadian advocate of reciprocity, is led to say in opening an article in the *Outlook* for February 29, that circumstances seem to warrant the belief that public sentiment in the States is assuming a more liberal attitude toward the question of reciprocity with Canada.

Forum. 29: 471-80. June, 1900.

American and Canadian Trade Relations. J. Charlton.

The relative geographical positions of the United States and Canada, with their counterminous boundary line extending from the Atlantic to the Pacific, with similarity of ethnological conditions, of laws, and of political institutions, should naturally lead to intimate commercial and social relations. Affinities so pronounced as those existing between

these two sections of the North American continent can only fail to produce such results through the interposing of policies calculated to impair the influence of natural conditions. The two countries, while geographically a unit, are possessed of dissimilarity of climate and diversity of production to a degree so marked as to be calculated to stimulate inter-communication and commerce. Canada requires the raw cotton, the tobacco leaf, the iron, steel, and coal of the United States for her manufacturing operations; she requires also the tropical fruits of the South and a great variety of American manufactures; and in exchange it is natural that she should send to the United States her forest, farm, and mine products.

The natural barriers which separate portions of the two countries—the great inland seas, and the mighty river which is their outlet—are of a character to invite and facilitate inter-communication rather than to offer obstacles to its fullest development. The geographical position of the eastern portion of the United States is such as to afford to the province of Ontario, to a portion of the province of Quebec, and to the vast Canadian Northwest, with its enormous future possibilities, the shortest and most feasible routes to the sea. Portland, Boston, New York, Philadelphia, and Baltimore are the natural winter ports of extensive sections of the Canadian territory; and the Erie Canal and the railway routes from Buffalo to the sea-board have afforded hitherto the nearest and most inviting outlets to tide-water for a considerable portion of the exportable products of the sections of Ontario bordering upon Lakes Erie, Huron, and Superior, and for the grain of Manitoba and the Canadian Northwest which finds its outlet by lake shipment from Fort William.

Movements have already been made for the establishment of ferry services across Lake Erie from the coal-mines and iron-works of Pennsylvania and Ohio to the rich district of Western Ontario. A harbor is approaching completion at Port Burwell, on the north shore of Lake Erie, which will afford deep water as well as excellent facilities for win-

ter entrance at a point which geographically is most advantageous. A short line from this port connects with all the trunk lines of Ontario, and will not only furnish inward business, but will afford an outlet, summer and winter, by car ferriage, for the various Canadian products seeking exportation. In winter, these can be sent much more cheaply and expeditiously to Baltimore and Philadelphia than to Canadian points. This is one of many schemes for increased facilities of transportation, and is mentioned to illustrate the fact that the possibilities for development of intercommunication and for increase of business between the two countries are indefinite and well-nigh unlimited.

Intimate knowledge of the extent and resources of Canada is not as a rule possessed by the American people. Little is known of the country, of its future possibilities, of its area, and of its value as a customer at the very door of the United States. Even under the conditions that at the present moment govern trade, conditions which, as far as the fiscal policy of the United States is concerned, are repressive, Canada, with its 5,500,000 inhabitants, is a better customer to the United States than all of Spanish America, with a population of 55,000,000, and comprising Mexico, the Central American States, all of South America, and all of the West Indies, including Cuba and Porto Rico. For the year 1898, the total exports of the United States to this enormous region reached the sum of \$86,786,000, while the total exports of the United States to Canada for the same year were \$86,537,000. For the year 1899, the exports to Canada from the United States have largely increased, exceeding in amount the exports to Spanish America and the West Indies. This fact is indicative of the possibilities of trade between the United States and the northern half of the North American continent.

The total trade of Canada last year, exports and imports, was \$312,948,000, divided as follows:

Total trade with Great Britain.....	\$136,151,000
Total trade with the United States.....	138,140,000
Total trade with all other countries.....	38,657,000

Of this total trade the amount with Great Britain consisted chiefly of exports, while the amount with the United States consisted chiefly of imports.

The total exports to Great Britain were.....\$99,860,000

The total imports from Great Britain were..... 37,600,000

The total exports to the United States, ex coin, bullion, and estimated short returns, which latter were more than counterbalanced by smuggling into Canada, were..... 36,562,000

Of this amount the exports to the United States, the produce of Canada, ex coin, bullion, and estimated short returns, were \$34,766,000.

The total imports from the United States were..\$101,642,000

The total exports of Canada to all foreign countries except the United States and Great Britain were 14,677,000

The total imports from all other countries were. 24,175,000

Balances of Trade

The balance of trade against Canada on total exports and imports was.....\$3,868,000

The balance of trade in favor of the United States on total exports and imports was.....56,509,000

The balance of trade against Canada on total exports and imports with all foreign countries except the United States and Great Britain was 9,499,000

The balance of trade against Great Britain upon total exports and imports was.....62,141,000

In other words, Canada sold to Great Britain more than she purchased from that country, and used the chief part of this balance in her favor to pay for her importations from the United States.

The superior liberality of the Canadian trade policy as compared with that of the United States is clearly demonstrated by a statement of the relative rates of duties levied

by the two countries. For the year 1899 the Canadian rates of duties were as follows:

Rate of duty upon total imports.....	15.81
Rate of duty upon imports for consumption.....	16.07
Rate of duty upon dutiable imports.....	26.16
Rate of duty upon dutiable imports for consumption.	28.77

In the United States the rates of duty for the previous year were:

On total imports.....	24.78
On dutiable imports.....	49.20

The exact rate for 1899 is not at hand, but it could have varied only slightly from that of 1898.

Notwithstanding the preferential rate of 25 per cent in favor of Great Britain—which has been increased during the present session of Parliament to $33\frac{1}{3}$ per cent, and which it is probable, in the estimation of the Canadian Government has been called for by the superior liberality of Great Britain toward Canada in trade matters as compared with the United States—and notwithstanding the fact that England furnishes a market for Canadian products greatly in excess of that furnished by the United States, the volume of imports from each country still leaves a decided advantage in favor of the United States. From the latter country we purchase a class of manufactures quite distinct in the main from the kinds purchased of Great Britain; and the differential duties do not seem to have had the practical influence upon the relative volumes of trade of the two countries that might have been anticipated. The rates of duty from Great Britain, from the United States, and from the rest of the world, including the British possessions, for the year 1899, were as follows:

From Great Britain

Rate of duty upon total imports.....	19.80
Rate of duty upon imports for consumption.....	19.83
Rate of duty upon dutiable imports.....	26.69
Rate of duty upon dutiable imports for consumption.	26.27

From the United States

Rate of duty upon total imports.....	11.52
Rate of duty upon imports for consumption.....	12.59
Rate of duty upon total dutiable imports.....	24.22
Rate of duty upon dutiable imports for consumption.	24.13

From All Other Countries, Including the British Possessions

Rate of duty upon total imports.....	27.68
Rate of duty upon imports for consumption.....	27.94
Rate of duty upon dutiable imports.....	37.98
Rate of duty upon dutiable imports for consumption.	38.37

The imports of Canada per capita for 1899 were, as follows:

Total imports, per capita.....	\$29.59
Imports from Great Britain, per capita.....	6.71
Imports from the United States, per capita.....	18.48
Imports from the rest of the world, per capita.....	4.40

Contrasted with this is the fact that the total imports per capita of the United States from Canada were \$0.60. Words cannot strengthen the presentation of the case made by the cold figures.

The liberality of the Canadian trade policy toward the United States as contrasted with the repressive trade policy of the latter country toward Canada is further illustrated by the statement that the total importation of free goods for consumption into Canada for the year 1899 amounted to \$64,618,000, of which amount different countries furnished as follows:

United States	\$48,535,000
Great Britain	9,538,000
All other countries.....	6,544,000

The advantage enjoyed by the United States in the matter of free entry for goods into Canada, as compared with other countries, will be shown by a statement of the

amounts, based on percentages. Upon this basis the result is as follows:

Percentage of free goods from the United States.....	75.11
Percentage of free goods from Great Britain.....	14.91
Percentage of free goods from all other countries....	9.98

To offset this enormous free list in favor of the United States it is doubtful whether \$5,000,000 worth of Canadian products are given free admission into the American market. The percentages of imports into, and exports from, Canada are as follows:

Imports

Total imports	\$162,764,000
Total imports from Great Britain.....	36,945,000
Percentage of total imports.....	22.69
Total imports from the United States.....	\$101,642,000
Percentage of the total imports.....	62.44
Total imports from all other countries.....	\$24,175,000
Percentage of total imports.....	14.87

Exports

Total exports of Canada.....	\$158,896,000
Total exports of Canada to Great Britain.....	99,086,000
Percentage of the total amount.....	62.35
Total exports to the United States, including coin and bullion \$4,011,151, and estimated short returns \$4,559,530.....	\$45,133,000
Percentage of the total amount.....	28.40
Total exports to all other countries.....	\$14,677,000
Percentage of the total amount.....	9.25

A striking illustration of the unsatisfactory condition of trade relations between the two countries, viewed from a Canadian standpoint, is furnished by the statistics of 1899 relating to the export and import trade in farm products. As is seen by the above statements, Canada is a large im-

porter of American products, and this is especially the case in regard to American manufactures. The general impression is that Canada's exports of farm products to the United States are greatly in excess of the amount of her imports in the same line from that country. Being a purchaser to an enormous extent of the products of American skilled labor, it is but natural to suppose that Canada should find a market in the United States to an equal, or a nearly equal, extent for her raw material, in exchange for such finished commodities as she purchases. On a fair basis of trade arrangement this ought to be the case. As facts actually exist, however, the market in the United States for Canadian farm products is of comparatively small moment; Canadian sales to the United States of farm products being very much less than Canadian purchases of farm products from that country.

The export of farm products, the produce of Canada, to the United States, for 1899 was as follows:

Export of agricultural products.....	\$1,149,686
Export of animals and their products.....	4,628,533

Total	\$5,778,219
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Imports of farm products for consumption by Canada from the United States, for 1899, were as follows:

Imports of agricultural products from the United States for consumption, dutiable and free, for 1899.....	\$18,686,000
Imports of animals and their products from the United States for consumption, dutiable and free, for 1899.....	5,762,000

Total	\$24,448,000
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Of these amounts, \$16,202,612 of agricultural products and \$3,514,938 of animals and their products were free.

The surprising result, therefore, is, that in 1899 Canada bought farm products from the United States for consumption to the extent of more than four times the value of the farm products she sold to that country. If from the list of her purchases of farm products from the United States we

should eliminate raw cotton and tobacco leaf, amounting to \$4,989,000, the account would stand: Purchases, \$19,459,000; sales, \$5,778,000—purchases over three and one-third times as great as the sales.

The same year the sales of Canada to Great Britain, of agricultural products, the produce of Canada, were \$18,447,000, and of animals and their products, the produce of Canada, \$41,604,000, total \$60,051,000; making the exports of farm products, the produce of Canada, to Great Britain more than ten times as great as her exports of the same products to the United States. This, and the fact that the total imports of Canada from the United States were nearly three times greater than her total imports from Great Britain, will serve to illustrate why her Government has seen fit to give Great Britain preferential treatment.

It may seem surprising that so great a disparity should exist between the imports of farm products from the United States into Canada and the exports in the same line from Canada to the United States. The reason is twofold: (1) The American duties on the agricultural schedule are evidently designed to be as nearly as possible prohibitive; and (2) Canada has a vast and ever-increasing market for food products in her new mining regions and in other sections of the Dominion, and has a large population of food consumers not engaged in the production of food. This population is chiefly engaged in lumbering, mining, and the fisheries.

As another illustration of the great liberality of Canadian fiscal regulations as compared with those of the United States, the permission to import corn from the United States free of duty may be mentioned. Corn was placed upon the free list in 1897. The importation of that grain last year from the United States amounted to 23,342,000 bushels, valued at \$8,966,000. For this concession no corresponding concession, either in reduction of duty or in placing any kind of grain upon the free list, has been made by the United States.

The importation of manufactures from the United States into Canada in 1898 amounted to \$40,662,000, and in 1899 to

\$48,645,000. This amount exceeded the importation of manufactures from Great Britain for that year by the sum of \$11,500,000. Of this importation, \$13,292,000 was on the free list. The farmers of Canada probably took not less than \$25,000,000 of the entire amount, and, in return, they were permitted to sell to the United States the comparatively insignificant amount of \$5,778,219 of farm products, while they saw the farmers of the United States taking possession of their own markets in the same line to the extent of three and a third times that amount.

The above statistics will make clear the fact that the American market is practically sealed to Canada for the products of the farm. Naturally, therefore, Canada has turned her attention to seeking new outlets; and having done so with great success, the importance of the American market to her is becoming of smaller moment year by year. A feeling is also gradually taking hold of the public mind, which, if not one of hostility, is one of intense dissatisfaction with the commercial policy of the United States toward Canada; and the day is probably not distant when practical action will be demanded, either in the shape of securing increased exports to the United States or of adopting a policy which will very sharply curtail importation from that country.

The lumber trade of Canada with the United States has of late been one of diminishing quantity; and the American policy of imposing heavy duties upon forest products amounts, in effect, to a liberal premium on forest destruction in the United States. The rapidly diminishing supply of white pine, it appears from the best authorities, will be practically exhausted in five years more, and the American duty of \$2 per thousand is hastening the day when the last pine-tree will be cut. The duty upon Canadian lumber is rapidly changing the course of Canadian trade in that article. Until within the last three years the exports of forest productions to the United States exceeded the exports in the same line to Great Britain. Last year, however, the exports to the British possessions amounted to \$16,361,000, while the quantity exported to the United States

had shrunk to \$9,921,000, a considerable portion of which passed through the United States in bond for export. While this trade is burdened with the duty of \$2 per thousand, Canada imported from the United States last year forest products free of duty to the amount of \$2,996,000. The Government has refused the demand of Canadian lumbermen to impose duties upon this importation corresponding to the American duties upon importations of the same class into that country; wisely deeming it improper to burden new settlers in the Northwest by duties upon lumber which in many sections can be obtained more cheaply from Minnesota than from Canadian sources.

The feeling of resentment caused by the meagre character of the American free list as compared with that of Canada, and the striking of lumber from the free list when the Wilson Bill was superseded by the Dingley Bill, finds expression in the province of Ontario in the prohibition of the export of saw-logs and pulp-wood, and in the province of Quebec in a differential Crown due on the export of pulp-wood of \$1.50 per cord, the Crown due for local consumption being forty cents per cord, and for export \$1.90. Upon the broad ground of political economy this system unquestionably is bad policy, and it is highly unfavorable to the interests of those holding timber; but it is almost universally popular, because it is felt that it affords a method of striking back and giving a *quid pro quo* for an ungenerous policy toward us. Its chief weakness lies in the fact that its application to old sales of timber berths and to licenses issued before the passage of the law is denounced by the sufferers as a breach of faith. No one, perhaps, would feel disposed to cavil at its application in all cases when it has been, or can be made, a condition of sale; but the *ex-post-facto* feature of the legislation is no doubt of very questionable character.

The statements of trade relations between America and Canada contained in this article make it evident that the American fiscal policy toward Canada is illiberal as compared with the Canadian fiscal policy toward the United States. That it is in the interest of the United States it is

hardly possible to believe. The export trade between Canada and the United States in articles the produce of Canada has practically stood still since the abrogation of the Reciprocity Treaty in 1866, and in 1899 was actually a fraction less than in the former year. The admission to the American market of Canadian farm products would have little, if any, influence upon prices received by American agriculturists, as Canadian importations would be so small, compared with the great volume of American production, as to produce little influence upon market prices. The fear of Canadian competition, on the part of the American farmer, is ill-founded; for both meet in the common market of England for the sale of farm products, and the interchange of such products between the two countries would not produce the slightest effect.

Had free trade in natural products been permitted since 1866, or even for a period of ten or fifteen years past, the volume of trade between the two countries would have been beyond all reasonable doubt two or three times greater than it is at present. The two people would have been brought into more intimate relations, both socially and commercially; the tone of public sentiment in the two countries would have been more healthy; and each country would have known more about the other, which is all that is necessary to assure mutual respect. Unquestionably, by fostering such intimate trade relations, the interests of each country, and of the entire English-speaking race, would have been promoted, with the natural concomitant of more friendly feeling.

The present condition of affairs, if permitted to continue, will develop into more serious estrangement, and will probably lead in due time to imitation, by the Government of Canada, of the fiscal policy of the United States, as concerns the relations between these two countries. It might perhaps be worth the while of American economists to consider the probable effect of raising the Canadian standard of 26 per cent on dutiable imports to the American standard of 49 per cent, with perhaps an increase of the differential in favor of Great Britain. This course would greatly stimu-

late the development of our manufacturing system; and it would also enable our farmers to furnish food for the operatives whose products they consume, a privilege now almost absolutely denied to them in the case of the American operatives, whose productions were taken last year by Canadian consumers to the extent of more than eight times the value of Canadian farm products permitted entrance into the markets of the United States.

Forum. 32: 582-93. January, 1902.

Reciprocity with Canada. J. Charlton.

Geographical and ethnic conditions have always suggested to the Canadian that broad and liberal trade relations with the United States would be natural and mutually advantageous. He has invariably acted upon this view, and the repeated rejection of his overtures has not seriously shaken his faith in the doctrine that the present trade situation could be easily changed for the better. In 1854 the efforts he made for more liberal terms were crowned with success through the negotiation and ratification of a reciprocity treaty which was to continue in force for twelve years, and then to be terminable at one year's notice. This treaty provided reciprocal entry for the natural products of each country into the markets of the other. Under its provisions there followed a great expansion of trade between the two countries, an increase of social intercourse, and an advance in the direction of community of interest.

Notice of the abrogation of the reciprocity treaty of 1854 was given by the United States Government in 1865. The primary cause of this action was supposed to be a feeling of resentment provoked by the fact that news of the Federal defeat at Chancellorsville had been received with cheers by the majority of the Tory members of the Canadian Parliament, then in session at Quebec. At this time public feeling in Canada regarding the War of the Rebellion ran high. The Liberals of the country almost to a man sympathized

with the South. The action of the United States in giving notice of the abrogation of the treaty was ill-judged, if it was prompted by this incident. There were copper-heads in the North, in no insignificant numbers, as ready to cheer over Federal reverses as was the Tory contingent in the Canadian Parliament. No less than 40,000 Canadians had aided in fighting the battles of the Union. The majority of the people of Canada were intensely sympathetic with that cause, and the abrogation of the treaty was a wet blanket upon their zeal; tending to strengthen and spread the feeling for which it was supposed to be designed as a punishment.

It was contended that the operation of the treaty gave the greater advantages to Canada. To a limited extent, and in the narrow sphere of present results, this may possibly have been true; but a statesmanlike view of the operation of causes that would tell upon the future was not taken by those who held this opinion. A sordid reckoning as to which of the parties to the agreement sold the most was allowed to hide from view the march of destiny and the fraternal blending of the unmeasured forces of the future. If the treaty in its practical workings was unsatisfactory to the United States, Canada was ready to modify its provisions; it was, in fact, anxious to do so. Before the fated day of abrogation arrived, Canadian envoys had visited Washington to plead for the continuance of fraternal trade relations, under a treaty to be modified in any way that was reasonable and just. Their reception was a rebuff—cold, positive, and absolute. They returned from their fruitless errand; and Canada at once set about the confederation of the British North American Provinces, a task which was accomplished in 1867.

In twelve years the treaty had more than quadrupled the amount of trade between Canada and the United States, and had led to a very large increase in the importation of American manufactures into Canada. The War of the Rebellion had created a demand for Canadian farm products greater than would have existed under normal conditions; and the

exportation of natural products to the United States in 1866, the last year in which the treaty remained in force, was greatly stimulated by the approaching abrogation, the date of which was known in advance. In that year the total export of the British North American Provinces to the United States, including estimated short returns from inland ports of \$4,185,692, was \$44,143,908. This amount was composed in large part of farm products, namely, animals and their products \$11,319,243, and agricultural products \$13,722,721, these two items together amounting to \$25,041,964. In the same year the British American imports from the United States amounted to \$28,572,000, a considerable proportion of which consisted of manufactures. It will be borne in mind that the imports into Canada for the year 1866 were made in the natural course of trade, while the exports, for the reason above stated, were abnormal in amount. It is reasonable to conclude that the tendency under natural conditions would have been to secure the equalization of exports and imports.

In 1866 the British-American exports to Great Britain amounted to \$16,826,000, and the imports from Great Britain to \$40,062,000. The most considerable items on the list of exports consisted of forest products and ships built at Quebec. The exports of farm products from the provinces of Nova Scotia, New Brunswick, and Prince Edward Island were inconsiderable. From the United Provinces of Canada they were as follows: animals and their produce \$1,326,000, and agricultural products \$2,217,000, making a total of \$3,543,000. The imports from Great Britain consisted largely of manufactures. It will thus be seen that in the last year of the operation of the reciprocity treaty of 1854 the chief market for Canada's farm products was the United States, while the chief source of supply for its manufactures was Great Britain.

Following the abrogation of the reciprocity treaty came the imposition by the United States of duties upon farm products. These duties were of an almost prohibitory character. It is not unlikely that the belief was entertained

that Canada required access to the American market for her surplus farm products, and that duties reaching to the limit of exclusion would force political union. If this opinion was entertained, events proved it to be utterly mistaken. The policy of repression at once begat bitterness and deep-seated resentment, and the two peoples commenced to drift asunder. The Canadian was put upon his mettle, and proceeded to cast about for new markets. The American was no longer asked to act as his factor in the exportation of such farm products as had previously figured as a part of American imports. The Canadian quest for new markets was successful. In due time the export of farm products to the United States dwindled to an insignificant fraction of the total Canadian export in that line, and Canada became a purchaser of American farm products for her own consumption, nearly up to the limit of her total export of such products to the United States in 1866.

In the meantime Canada maintained a wise and moderate tariff policy toward the United States. The percentage of duty upon the total value of goods entered for consumption amounted to 12.25 in 1868, to 15.98 in 1900, and to 16.06 in 1901. It never rose above 21.57, which was the rate in 1888. During all the period from 1868 to 1901 the duty upon American goods entered for consumption was less than the average duties upon the amount of goods entered for consumption from all other countries; the duties upon the total American imports in 1901 having amounted to no more than 12.05, while those upon dutiable imports were 24.83. This moderate revenue tariff offered no obstacle to the liberal importation of American goods; and while repressive American duties kept Canadian exports to the United States at a standstill, the Canadian imports from the United States increased until in 1901 they were four times what they were in 1866.

Canada is now the third largest customer the United States has in the world; Great Britain and Germany taking the precedence. In 1900 the total importation of Canada from the United States amounted to \$116,972,000, or \$21.65

per head. In the same year the total imports from the United States by Mexico, Central America, South America, and all the West Indies, except Cuba and Porto Rico, amounted to no more than \$96,140,000, or \$1.70 per head.

The opinion seems to be held in the United States that the trade conditions prevailing in 1866 continue to-day, and that Canada is still dependent upon the United States for a market for her agricultural products. The sooner the American learns that this impression is utterly without foundation, the sooner will a true appreciation of existing conditions be reached.

The following statement of trade returns between the United States and Canada, and between Canada and other countries, during the fiscal year ending June 30, 1901, will afford the premises from which to draw correct conclusions. These tables are compiled from advance statements by the Customs Department at Ottawa, and may be slightly varied upon careful revision for official publication:

Canadian Trade with the United States

Total imports from the United States.....	\$119,306,000
Imports from the United States for consumption	110,485,000
Dutiable imports from the United States for consumption	53,600,000
Free imports from the United States for consumption	56,884,000
Total exports to the United States.....	70,306,000
Exports to the United States ex foreign mdse...	67,983,000
Portion of same coin, bullion, gold dust, etc....	28,486,000
Actual export domestic produce.....	39,497,000
Deducting domestic produce exports from goods entered for consumption, actual balance of trade with the United States against Canada.	70,988,000

Canadian Trade with Great Britain

Total imports from Great Britain.....	\$43,164,000
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Imports for consumption.....	43,018,000
Total exports to Great Britain, produce of Can-	
ada	92,857,000
Total exports	105,328,000

Canadian Trade with All Other Countries

Total imports from all other countries.....	\$27,945,000
Imports for consumption.....	27,734,000
Exports to all other countries, the produce of	
Canada	16,591,000
Total exports	20,753,000

The totals of free imports for this year were: from the United States, \$56,884,000, or 73 per cent; from Great Britain, \$11,316,000, or 17.3 per cent; and from all other countries \$7,469,000, or 9.7 per cent. The rates of duty were as follows: From all countries, entered for consumption 16.06, dutiable 27.46; from the United States, entered for consumption 12.05, dutiable 24.83; and from Great Britain, entered for consumption 18.23, dutiable 24.71. Out of the total of Canadian imports 63 per cent came from the United States, 22½ per cent from Great Britain, and 14½ per cent from all other countries. Of exports not including precious metals, the United States took 21 per cent, and Great Britain 53½ per cent.

It is too early to attempt an analysis of the Canadian import returns for 1901, for the purpose of ascertaining the importation of manufactures for that year by Canada from the United States and from Great Britain; but the returns of 1900 will serve the purpose. For that year the Canadian imports of manufactures from the United States and from Great Britain were as follows: From Great Britain, value of free manufactures \$7,610,477, dutiable manufactures \$30,377,084; making a total of \$37,987,561. From the United States, free manufactures \$18,021,365, dutiable manufactures \$44,837,580; making a total of \$62,858,945.

In 1898 the importation of manufactures, free and duti-

able, from Great Britain was \$26,732,584, and from the United States \$43,834,769.

The importation of manufactures for 1901 as compared with 1900 has probably increased in the case of the United States, and fallen off in the case of Great Britain, as the imports for consumption had risen from \$109,844,000 to \$110,485,000 in the case of the United States, and had fallen from \$44,789,000 to \$43,018,000 in the case of Great Britain.

The Dominion possesses the great stretches of productive soil upon this continent that still remain unoccupied. The trend of the isothermal line to the northwest of Lake Superior brings within the wheat belt a region extending eight degrees northward from the boundary line, and embracing the Peace River valley. In 1901 as many as 45,000,000 bushels of wheat were produced in Manitoba and the Canadian Northwest from 2,000,000 acres of land. There are from 250,000,000 to 450,000,000 acres more of wheat land in that country waiting to respond with bountiful harvests to the invitation of the plough; and as many as 50,000,000 inhabitants may find homes and subsistence in this part of the Dominion.

In 1901 Canada's trade in farm products with Great Britain and the United States was as follows:

Exports to the United States

Agricultural products, the produce of Canada....	\$2,907,924
Agricultural products, foreign produce.....	338,842
Total	\$3,246,766
Animals and their products, produce of Canada...	\$5,331,657
Animals and their products, foreign produce.....	286,947
Total	\$5,618,606
Total export of farm products.....	\$8,865,372
Total export of farm products, the produce of Canada	8,239,581

Exports to Great Britain

Agricultural products, produce of Canada.....	\$17,337,675
Agricultural products, foreign.....	11,502,620

Total	\$28,840,295
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Animals and their products, produce of Canada ..	\$49,186,025
Animals and their products foreign.....	500,744

Total	\$49,686,767
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Total export of farm products.....	\$78,527,062
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Total export, produce of Canada.....	66,523,700
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Imports for Consumption from the United States

Agricultural products free.....	\$14,923,080
Agricultural products dutiable.....	2,997,202

Total	\$17,920,282
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Animals and their products free.....	\$4,587,785
Animals and their products dutiable.....	2,961,973

Total	\$7,549,758
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Total imports farm products.....	\$25,470,040
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Portion of the same free.....	19,510,865
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Imports from all other Countries, including Great Britain

Agricultural products free.....	\$687,626
Agricultural products dutiable.....	531,904

Total	\$1,219,520
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Animals and their products free.....	\$3,429,356
Animals and products dutiable.....	100,950

Total animals and products.....	\$3,530,306
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Total farm products.....	\$4,749,826
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Of the \$63,000,000 of manufactures purchased by Canada from the United States in 1900, Canadian farmers purchased quite \$30,000,000. They were permitted in return to project a dole of \$8,239,000 of farm products over the tariff wall of the United States, and to see brought into Canada from the United States, free of duty, hides and skins to the value of \$2,432,000, wool \$398,000, horses \$90,000, broom corn \$209,000, hemp \$291,000, Indian corn \$6,484,000, flaxseed \$662,200, tobacco leaf \$1,720,000, raw cotton \$4,731,000, and some other articles of less value; making a total of free farm products imported from the United States amounting to \$19,500,000. Naturally, the farmer thinks some kind of readjustment would be proper; and he will take very kindly to the suggestion that it would be better to have the goods manufactured in places where he could furnish the operatives with the food they consume, and with some of the raw materials required in the production. Of the farm products upon the export and import list, Canada bought of the United States to the extent of \$24,058,000 in excess of her sales to that country, while the United States bought of Canada, in excess of her sales to that country, the following farm products, for consumption: Corn, oats, rye, wheat, cornmeal, oatmeal, rye and wheat flour, malt, seeds, apples, small fruits, potatoes, vegetables, tobacco leaf, broom corn, hemp, flaxseed, horses, hogs, poultry, eggs, butter, lard, bacon and hams, beef salted in barrels, pork in barrels, other meats, grease, hides and skins, wool, and many minor articles.

Some of the facts above set forth may be briefly summarized as follows: (1) The Canadian tariff rates are less than one-half those of the United States. (2) The Canadian exports of farm products to the United States are only one-third as much as in 1866. (3) Canadian imports from the United States are now over four times what they were in 1866. (4) Canadian imports from Great Britain have increased less than ten per cent since 1866. (5) Canadian exports of farm products to Great Britain have increased twenty-fold since 1866. (6) Canada buys three times as much from the United States as she sells to that country,

leaving out of account the precious metals. (7) Without including raw cotton, Canada buys from the United States two and a half times the amount of farm products that she sells to that country. (8) Canada buys at least \$10,000,000 more manufactures from the United States than from all the rest of the world. (9) Canada finds her chief market for farm products in Great Britain. (10) Of the total imports of Canada sixty-three per cent comes from the United States. (11) Canada gives the United States a free list of \$56,884,000, or seventy-three per cent of her entire free list. Included in the free list from the United States are \$39,000,000 of free farm products, free forest products, and free manufactures. (12) Canada receives practically no free list from the United States, except the precious metals.

Canada cannot afford to continue the present state of trade relations with the United States. They do not serve to promote her prosperity. Her purchases from the United States must be paid for, in a large part, from the proceeds of sales of her products to other countries. If she is to be a hewer of wood and drawer of water, she wants at least the privilege of selling the wood. The United States can easily give to her a kind of reciprocity that will put matters upon the proper basis, by enabling her to sell her products in the markets of the United States to an amount somewhat approaching the extent of her purchases from that country. Failing to secure this arrangement, Canada can give to the United States a kind of reciprocity that will make the volume of imports from that country nearly as lean and hungry as is the present scale of exportation to it. The simple formula for securing this result is to adopt the American tariff; and Canada is rapidly settling down to the conviction that there should be no unnecessary delay in taking this course, if proper concessions cannot be obtained.

The supply of raw material for paper-making has become a matter of much importance to the paper mills of the United States. Canada possesses a great reserve of spruce timber suited to that use. Her public men fully appreciate the importance of such a possession. No obstacle has yet been

placed in the way of the exportation of pulp wood; but it would be natural, in a possible movement for reciprocity of tariffs, to require the manufacture of Canadian pulp wood into paper in Canada. This course would very likely be taken, as has already been the case with saw-logs and lumber manufacture.

The change in the fiscal relations of the two countries that would form a reasonable and proper basis of adjustment would be to make the natural products of the farm, the forest, the mine, and the sea reciprocally free, and to provide that Canada should not discriminate in her tariff rates in favor of other countries. At first sight this may seem rather a sweeping proposition. The lumberman who wants to hasten the extinction of the American forests, and the farmer who has the faith, born of ignorance of the facts, that the small Canadian surplus of farm products that might find a market for consumption in the United States would swamp the vast production of that country, will loudly protest. This proposal, however, for reciprocally free natural products will be found, upon examination, a reasonable one. It must be borne in mind at the outset as before, stated, that Canada consumes farm products from America amounting to two and a half times the total of her own export of farm products to that country. Free trade would greatly stimulate this consumption; for, with the exception of Indian corn, all the cereals, flour, meal, fruits, animals, butter, cheese, lard, eggs, meats of various kinds, seeds, potatoes, vegetables, etc., pay, when imported into Canada, duties nearly or quite equal to those levied upon similar articles by the United States. Under free trade British Columbia and the Klondike region would buy their food supplies from Washington and Oregon. The Maritime Provinces—Nova Scotia, New Brunswick, and Prince Edward Island—with a population of 925,000, would buy their food supplies from cities upon the American seaboard. Ontario and Quebec would buy largely of Indian corn, as at present, together with increased quantities of coarse grains, flour, pork, and meats for the use of men engaged in lumbering and mining operations.

It is not improbable that Canadian purchases of farm products would still exceed Canadian sales for consumption in the same lines to the United States, and it is certain that the balance against the United States would not be large in this interchange of farm products. It is not probable that the Canadian export of such products would be more than six times as great as at present, or more than double the export under the stimulus of war demand and impending reciprocity abrogation in 1866, or in round numbers, say, \$50,000,000. It is also likely that, under the stimulus of free admission, the Canadian imports of farm products, amounting in 1901, without raw cotton, to \$20,737,000, would be doubled, which would leave a balance of about \$8,000,000 between export and import of farm products. The exports of forest products, amounting in 1901 to \$12,205,000, and of mine products, amounting to \$38,501,000, which included \$26,824,000 of gold dust, nuggets, gold-bearing quartz, and silver concentrates, would be increased; but the total increase in the export of all lines of natural products would hardly amount to a sum equal to three-fifths of the actual American balance of trade against Canada last year. In the meantime the general stimulus to trade, resulting from making natural products free, would largely increase the Canadian importation of American manufactures and other commodities; and it is certain that under the proposed new arrangement the United States would continue to score large annual balances of trade against Canada.

In the case of all articles of farm produce, of which the United States and Canada have a considerable surplus for sale in Great Britain and other foreign markets, free trade between the two countries would have little effect upon prices. This would apply to wheat, flour, bacon, hams, pork in barrels, cheese, etc. The Canadian producer might benefit, to a limited extent, through competition between American and Canadian buyers in his own market, because rings and combinations of buyers would be more difficult to establish and maintain than if the American buyer were excluded. In the case of articles exported to the United States

for consumption, free trade would have no appreciable effect upon prices, because of the insignificant amount of importation compared with the great volume of production in the United States. In the case of sawn lumber the importation into the United States from Canada, for consumption, amounted last year to about 500,000,000 feet, board measure, which was less than one and a half per cent of the quantity of lumber manufactured in the United States. To assert that one and half per cent will depress ninety-eight and a half per cent to the extent of the duty, or will even affect prices in any material degree, is absurd.

This view of the case was placed before the American members of the Trade Committee, when the Joint High Commission met in 1898; and the Hon. Nelson Dingley freely admitted that American lumber prices could not be appreciably affected by the importation of Canadian lumber free of duty, with the amount then imported, or likely to be imported. The same conditions would hold good with regard to eggs, barley, vegetables, potatoes, cheese, butter, and other articles of farm produce likely to be exported from Canada to the United States for consumption. The disparity between the volume of importation and that of domestic production would be even greater in the case of these articles than in the case of lumber, and free trade could not to any material extent affect prices. The Canadian lumberman and farmer desire free access to the American market, but not for the purpose of depressing prices in that country to the present level of prices in Canada, where difference of price exists, because that would do them no good. Their desire for free trade arises from the expectation that the Canadian price will be increased to the extent of the duty when the latter is removed. In the case of failure of a crop, or great scarcity of any article, free trade might in exceptional cases relieve the strain and affect prices, to the benefit of all classes, in either country.

Absolute free trade has existed between all the states of the American Union since the Constitution was adopted. Its operation has been entirely satisfactory. It has fur-

nished the most absolute vindication of the wisdom of dispensing with tariff restrictions. Between different states and different groups of states, great diversity of soil, climate, production and general conditions have always existed. These differences are as great as those dividing the Canadian Provinces and Territories from the American Union. The logical application of the principle of protection would have called for duties upon the agricultural products of the fertile West, in behalf of the farming interests of the less-favored New England and Middle States; and also for duties upon the goods produced in the well-established manufacturing plants of the Eastern States, in favor of the new and struggling industries of the Mississippi valley and the Pacific slope.

The assertion that such a policy would have promoted the welfare and prosperity of the Union would be absurd. The humblest citizen knows that, with every extension of the area over which the system of free interstate commerce prevails, the more apparent become the advantages conferred by that system. The nearer the approach to this system in the trade policy of the United States and Canada, the better for both countries; for similar results to those that have followed the application of the system of free trade in the United States would follow its application to the great Canadian domain. A Zollverein would perhaps be the truly scientific and effectual method; but years of trade repression and business estrangement and the development of a vast export trade with the Motherland make this an unattainable arrangement at the present time. Free trade in natural products and moderate revenue duties upon a reasonable schedule of finished products, as at present in Canada, with application of the most-favored-nation treatment by each country to the other, will prove infinitely more satisfactory than present conditions, and will naturally lead up to such further developments as will accord with the wishes and the interests of both countries.

The opening of the nineteenth century found North America inhabited by 5,500,000 English-speaking people. At

the close of the century the number had increased to 80,000,000; and an area of 7,000,000 square miles, rich in all resources that the most advanced form of civilization requires, is now the heritage of the American Anglo-Saxon. The history of the last hundred years is a glorious record of progress and expansion for these peoples. The United States has suddenly stepped to the front as a great world power, and will be content with nothing short of the foremost manufacturing, commercial, and naval position. The world is respectfully taking the measure of the new Colossus, and forgets to indulge in the old-time criticisms about swagger, rawness, and self-assertion. The portals of the twentieth century have opened, and down the vista of its one hundred eventful years to come there looms the shadowy, half-defined, half-concealed revelation of mighty achievements and illimitable accretions of force. While this great power commands the attention of the world, a younger member of the galaxy of Anglo-Saxon commonwealths is rounding into national life, and has laid wisely the foundations of its political structure, adhering closely to the structure and spirit of the form of government that has been shaped in the furnace of conflicts, and evolved from contact with difficulties and by the application of the lessons learned during a thousand years. Experience shows that the British model will well serve the purpose of Canada. The young nation is taking stock of its immense resources, and looking forward to the day when its people will number a hundred millions. The future of these two great commonwealths upon the American continent is a matter of great importance to the world, and of greater importance to themselves. It will be a great disaster if the policy of the last thirty-five years is continued by the United States, with the probable result of being imitated by Canada. Let us hope rather that the American policy of free trade within the Union will be imitated as far as may be permitted by circumstances, and may be consistent with the preservation of separate national autonomy, and that provision will speedily be made for the development of a vast and mutually advantageous

commerce, for the growth of friendly relations, and for the securing of a permanent peace.

Journal of Political Economy. 19: 527-41. July, 1911.

International Aspects of Reciprocity. H. P. Willis.

President Taft in his message to Congress January 26, 1911, states with the utmost cogency the general reasons which call for a closer commercial union between the United States and Canada. His exposition of the broad and statesmanlike considerations which should control the action of the two countries in this matter leaves little to be added. The technical effects of given changes in duty have been fully treated by competent authorities. It seems to me that the advantages to both countries certain to flow from the operation of the agreement are of so evident and considerable a nature as to make the desirability of its adoption unmistakable. I think it should be passed by the Senate without further delay, and that when it has been so adopted it will constitute one of the most creditable acts of the present administration. I believe in the agreement not because it is perfect or even satisfactory in its scope, but because it is a step toward the establishment of those equitable trade relations with Canada which can be reached only by a very marked reduction, if not actual abolition, of tariff restrictions upon the mutual interchange of commodities.

There is another aspect of the Canadian agreement, however, in which it constitutes a striking innovation upon past and present commercial policy, and which suggests the acceptance of a new attitude toward foreign countries more in harmony with existing conditions than the exclusive international position heretofore accepted by the United States. This, to my mind, transcends all other considerations in favor of reciprocity. The reciprocity agreement, if adopted, will without doubt be an important step toward the revision of our system of tariff treaties.

The international tariff position of the United States is today dependent upon two important factors: (1) the most-favored-nation clause in our commercial treaties; (2) the present maximum and minimum tariff provision of the Payne-Aldrich Act. If we add to the problem a new factor, (3) the reciprocity provision now proposed with Canada, how will it affect the operation of the other two elements?

The position of the United States as respects the most-favored-nation clause is the product of a long period of development and is now absolutely anomalous. Early commercial treaties were arranged by European nations in strict accordance with the idea that every concession granted by one country to any other should be given only in exchange for similar concessions in return. In other words, the negotiation of commercial treaties was a sort of bargaining process in which a foreign nation might be overreached by its antagonist. The object to be kept in mind by either party was the arrangement of an agreement as favorable to it as circumstances, and the relative acuteness of the other, would allow. It is evident that, supposing two nations, A and B, to have signed a commercial treaty granting certain privileges by mutual agreement, B might be at a considerable advantage with respect to a third nation, C, in competing for the trade of A. If, subsequently, an agreement should be entered into between A and C, whereby more elaborate concessions were allowed C than those which had been gained by B, it might turn out that B would not merely be outstripped by C in the competition, but would even be worse off than would have been the case had no treaty been originally negotiated with A. It was this situation which led to the development of the most-favored-nation clause. Under it, states sought to obtain guarantees that in case future commercial concessions should be offered to their competitors, they themselves would, *ipso facto*, enjoy the same concessions. Thus, if the two nations, A and B, had entered into a commercial agreement in which the most-favored-nation stipulation has been incorporated, and if there should be any subsequent treaty between A and

C, in which larger concessions were granted, C would, by the nature of the case, extend those concessions also to B. Now, it is clear that the interpretation to be placed upon the clause might be such as to extend those concessions to B only in case B should pay for them by the same return concessions granted by C, or should simply be permitted to enjoy them without any further payment than that already arranged for in the original A and B treaty.

Writers on international law distinguish several different forms of the "most-favored-nation clause." They enumerate more particularly the so-called "simply reciprocal form" and the so-called "imperative and unconditional form." In the first, "where reciprocity is the foundation of every clause in the treaty dealing with the subject of commerce and navigation, the inference points to reciprocity as the foundation for the general covering clause which is to supply omissions and prevent future unfavorable discrimination." Under the other interpretation, the commercial favors are granted to all countries under the most-favored-nation clause "immediately and without condition"; in other words, without compensating privileges offered in return. It is easy to see why nations like Great Britain, which have adopted free trade as their policy and which have, as a matter of fact, nothing to offer in return for a reduction of duties, are disposed to insist strenuously upon this second interpretation.

The "simply reciprocal form" of the most-favored-nation clause is, of course, the one to which the United States has consistently held. It has, from the beginning, adhered rigidly to the view that trade concessions offered by it to some other country need not become common to a third country with which we have no treaty relations involving the most-favored-nation clause, unless that third nation should meet us on our own ground by granting the same favors that we secured at the hands of the other nations with which we had entered into treaty relations. In the treaty negotiated between the United States and France, February 6, 1778, the following words occur:

The most Christian King and the United States engage mutually to grant any particular favor to other nations in respect

to commerce and navigation which shall not immediately become common to the other party, who shall enjoy the same favor freely, if the concession was freely made or on allowing the same compensation if the concession was conditional.

In Art. IX of the treaty with Prussia, in 1828, and in Art. IX of the treaty with Austria, in 1829, occur the words:

If either party shall hereafter grant to any other nation any particular favor in navigation or commerce, it shall immediately become common to the other party, freely, where it is freely granted to such other nation, or on yielding the same compensation, when the grant is conditional.

On the other hand, European diplomacy has developed the most-favored-nation clause along a different line, following the second of the two interpretations already referred to. As things now stand, most European countries admit that nations which have granted to other nations the benefits of the most-favored-nation clause have guaranteed to the latter that their commercial relation shall not be less favorable with the guarantors than shall those of any other country. In other words, new and more extensive trade concessions granted by country A to C, a third nation, are, *ipso facto*, extended to B, a second nation, with which it has originally entered into commercial relations, while B obtains these advantages without compensation even though they may have been paid for very heavily by C. This, of course, is a marked reversal of the original interpretation given to the "most-favored-nation clause" during the eighteenth and first half of the nineteenth century. It is a most important point to bear in mind, in studying the development of reciprocity as a policy, for it will readily be seen that the adoption of the European interpretation of the most-favored-nation clause implies either the giving up of all commercial treaties, or else the conscious recognition of tariff reduction as a system to be regularly applied whenever granted in an individual case. Reciprocity, when limited to isolated bargaining, which may or may not be undertaken, as circumstances of the particular case seem to indicate.

It is apparent that the United States in maintaining its own interpretation of this clause, reserving the right to grant tariff concessions only in return for certain other concessions and the right to decide whether concessions offered

by other countries are equivalent to those obtained from any particular country, occupies a peculiar and anomalous position as compared with a group of nations adhering to a different interpretation and granting to us the advantages of the clause, which we, however, deny to them. All of this has led to exceedingly unfavorable comment on the part of European countries, which regard our attitude on the subject of the most-favored-nation clause as characteristically selfish.

We can better understand the application of this interpretation of the most-favored-nation clause by considering the precise details of the instructions given to our diplomatic representatives on some critical occasions. These are fully set forth in *Foreign Relations*, but Secretary Knox has lately sent to the Senate a useful compilation of precedents from which a few may be chosen.

The treaty of April 30, 1803, for the cession of Louisiana provided, in Art. VIII, that "the ships of France shall be treated upon the footing of the most-favored-nations" in the ports of the ceded territory. By act of Congress of March 3, 1815, the vessels of foreign countries were exempted from discriminating tonnage duties in the ports of the United States, provided that such countries granted reciprocal treatment to American ships in their ports. Great Britain took advantage of this offer of reciprocity and removed her discriminating duties against American shipping. France, however, took no action, with the result that French vessels continued to pay discriminating duties when entering United States ports, while British vessels were exempt. The French minister, in a note to the Department of State, under date of December 15, 1817, claimed that the exemption granted to British shipping should likewise be extended to French shipping by virtue of Art. VIII of the treaty of 1803.

Secretary of State John Quincy Adams, in his reply of December 23, 1817 (*American State Papers*, For. Rel., V, 152-53), defined the position of the United States as follows:

The undersigned is instructed to say that the vessels of France are treated, in the ports of Louisiana, upon the footing of the most-favored nation, and that neither the English nor any other

foreign nation enjoys any gratuitous advantage there which is not equally enjoyed by France. But English vessels, by virtue of a conditional compact, are admitted into the ports of the United States, including those of Louisiana, upon payment of the same duties as the vessels of the United States. The condition upon which they enjoy this advantage is, that the vessels of the United States shall be admitted into the ports of Great Britain upon payment of the same duties as are there paid by British vessels.

The eighth article of the treaty of cession stipulates that the ships of France shall be treated upon the footing of the most-favored nations in the ports of the ceded territory; but it does not say, and cannot be understood to mean, that France should enjoy as a free gift that which is conceded to other nations as a full equivalent.

It is obvious that if French vessels should be admitted into ports of Louisiana upon the payment of the same duties as the vessels of the United States, they would be treated, not upon the footing of the most-favored nation, according to the article in question, but upon a footing more favored than any other nation; since other nations, with the exception of England, pay higher tonnage duties, and the exemption of English vessels is not a free gift, but a purchase at a fair and equal price.

It is true that the terms of the eighth article are positive and unconditional; but it will readily be perceived that the condition, though not expressed in the article, is inherent in the advantage claimed under it. If British vessels enjoyed, in the ports of Louisiana, any gratuitous favor, undoubtedly French vessels would, by the terms of the article, be entitled to the same.

During the negotiations between the governments of the United States and Great Britain which resulted in our reciprocity treaty of 1854 with Canada, Mr. Crapton, the British *charge d'affaires* at Washington, under instructions from his government, wrote to Secretary of State Clayton, as follows:

It has been objected that, if certain agricultural articles (more particularly wheat), the production of Canada, were to be admitted free of duty into the United States, under a convention with the British government for a reciprocal free trade between that province and the United States in such productions, the like productions of other nations having "reciprocity treaties" of commerce with the United States must be admitted on the same terms.

To this it may be replied that no nation could claim for itself an advantage under a convention between Great Britain and the United States, which Great Britain herself had not obtained under that convention. Had any other nation a colony similarly situated, she might then be borne out in claiming that such colony should be equally favored; otherwise not.

The reciprocity convention concluded between the United States and the Hawaiian Islands on January 30, 1875 (effective September 9, 1876), provided, in Art IV, that the Hawaiian Islands should not, so long as the treaty remained in force, "make any treaty by which any other nation shall obtain the same privileges, relative to the admission of any

article free of duty, hereby secured to the United States.’

Invoking the most-favored-nation clause in Art. IV of her treaty with the Hawaiian Islands, Great Britain demanded that the latter should extend, gratuitously, to the United Kingdom the tariff concessions granted in reciprocity to the United States.

The position of the United States government in this matter was set forth in a note from Mr. Comly, American minister at Honolulu, dated July 1, 1878, to the Hawaiian foreign office, reading in part as follows (*For. Rel.*, 1878, 404) :

No treaty in existence at the time this compact was entered into secured to any other nation the privileges as to the admission of certain articles free of duty, which have been guaranteed to the United States by this treaty. These privileges were secured, not through any general treaty rights or stipulations, but by giving certain valuable considerations in a special treaty of reciprocal covenants. The concession of these privileges to the United States cannot, therefore, form any just basis for a claim to like privileges by any other nation, under the parity clause of any ordinary form of treaty. The uttermost that might be conceded under such parity clause would be the claim to purchase the same immunities through special treaty, upon like terms with those agreed upon between the United States and the Hawaiian Islands.

Sec. 608 of the United States tariff act of 1894 placed salt upon the free list, but provided that if salt should be imported from any country that imposed a duty upon salt imported from the United States there should be levied on the salt of such country the rate of duty existing prior to the passage of the tariff act. Notwithstanding that American salt was dutiable on importation into Germany, the German government demanded free entry of German salt into the United States by virtue of the most-favored-nation clause (Arts. V and IX) of the treaty of 1828 between the United States and Prussia. The question having been submitted to Attorney-General Olney, he gave an exhaustive opinion, under date of November 13, 1894, in which he said:

The most-favored-nation clauses of our treaties with foreign powers have from the foundation of the government been invariably construed both as not forbidding any internal regulations necessary for the protection of our home industries and as permitted commercial concessions to a country which are not gratuitous, but are in return for equivalent concessions, and to which no other country is entitled except upon rendering the same equivalents. Thus, Mr. Jefferson, when Secretary of State in 1792, said of treaties exchanging the rights of the most-favored-nation that “they leave each party free to make what in-

ternal regulations they please, and to give what preference they find expedient to native merchants, vessels, and productions." In 1817, Mr. John Quincy Adams, acting in the same official capacity, took the ground that the "most-favored-nation clause only covered gratuitous favors and did not touch concessions for equivalents expressed or implied." Mr. Clay, Mr. Livingston, Mr. Evarts, and Mr. Bayard, when at the head of the Department of State, have each given official expression to the same view. It has also received the sanction of the Supreme Court in more than one well-considered decision.

In 1898, during the reciprocity negotiations between the United States and the Argentine Republic, under the provisions of section 4 of the United States tariff act of July 31, 1897, Mr. Buchanan, the American minister at Buenos Ayres, reported to Secretary of State Sherman that the Argentine government was apparently deterred from entering into a treaty of reciprocity with the United States because it assumed that it would be compelled to extend any tariff concessions which it might make in such a treaty with the United States to European countries with which the Argentine Republic had commercial treaties provided for most-favored-nation treatment.

In reply to this dispatch Secretary of State Sherman instructed Minister Buchanan, under date of January 11, 1898 (*Ms. Inst. Arg. Rep.*, XVII, 306, as follows in regard to the United States' construction of the most-favored-nation clause:

It is clearly evident that the object sought in all the varying forms of expression is equality of international treatment, protection against the wilful preference of the commercial interests of one nation over another, but the allowance of the same privileges and same sacrifice of revenue duties to a nation which makes no compensation that has been conceded to another nation for an adequate compensation, instead of maintaining, destroys that equality of market privileges which the most-favored-nation clause was intended to secure. It conceded for nothing to one friendly nation what the other gets only for a price. It would thus become the source of international inequality and provoke international hostility. The neighborhood of nations, their border interests, their differences of climate, soil, and production, their respective capacity for manufacture, their widely different demands for consumption, the magnitude of the reciprocal markets, are as many conditions which require special treatment. No general tariff can satisfy such demands. It would require a certainty of language which excludes the possibility of doubt to justify the opinion that the government of any commercial nation had annulled its natural right to meet these special conditions by compensatory concessions, or held the right only on condition of extending the same to a nation which had no compensation to offer. The fact that such concessions if made would inevitably inure to the equal benefit of a third competitor would often destroy the motive for, as well as the value of, such reciprocal concessions.

But instead of such certainty of expression, one of the articles in each of the treaties referred to contains a distinct recognition that special and compensatory commercial arrangements may be made, notwithstanding the most-favored-nation clause; and provided that in such cases the favors granted shall be enjoyed by the party claiming favored-nation treatment, gratuitously if so granted, or for equivalent compensation if granted for a price.

What will be an equivalent compensation is to be honorably determined by the governments concerned. So many considerations have necessarily entered into such special concessionary agreements that no universal rule can be applied. The price has often been special privileges in the market of the other for certain manufactures or products of the contracting country; but it may also be a port, a bay, or an island, or a protectorate, as well as an expanded market, or a privileged export trade. It may be anything within the range of the treaty-making power.

It is not to be supposed that a right of such importance in many national emergencies has been abandoned by the Argentine Republic, or that it is only held on condition of the repeated and gratuitous payment to other countries of the same consideration stipulated in reciprocity. The right of the other nations to enjoy the same special concessions depends on their ability to offer an equivalent compensation. When they do this, the favored-nation clause is rightfully invoked.

Hitherto the United States has stoutly maintained its claim that we cannot properly be called upon to make common even to those nations with which we have a most-favored-nation clause the advantages accorded to any one unless others which desire the same advantages are willing to extend equivalent concessions. We have, however, consistently taken the view that where other nations were thus willing to grant equivalent concessions they might receive the same reductions we had accorded to any one of their competitors. This was a position which, though out of harmony with the European interpretation of the most-favored-nation clause, has until recently been at least tenable.

Whatever may be thought of this position regarding the most-favored-nation clause in commercial treaties there was at least a basis for considering it a self-respecting and self-consistent position on the tariff question. But the Payne-Aldrich act introduced a new element of difficulty by including the so-called maximum and minimum provision. This was found in sec. 2 and was as follows:

That from and after the thirty-first day of March, nineteen hundred and ten, except as otherwise specially provided for in this section, there shall be levied, collected, and paid on all articles when imported from any foreign country into the United

States or into any of its possessions (except the Philippine Islands and the Islands of Guam and Tutuila), the rates of duty prescribed by the schedule and paragraphs of the dutiable list of section one of this Act, and in addition thereto twenty-five per centum ad valorem; which rates shall constitute the maximum tariff of the United States.

Provided, That whenever, after the thirty-first day of March, nineteen hundred and ten, and so long thereafter as the President shall be satisfied, in view of the character of the concessions granted by the minimum tariff of the United States, that the government of any foreign country imposes no terms or restrictions, either in the way of tariff rates or provisions, trade, or other regulations, charges, exactions, or in any other manner, directly or indirectly, upon the importation into or sale in such foreign country of any agricultural, manufactured, or other product of the United States, which unduly discriminates against the United States or the products thereof, and that such foreign country pays no export bounty or imposes no export duty or prohibition which unduly discriminates against the United States or the products thereof, and that such foreign country accords to the agricultural, manufactured, or other products of the United States treatment which is reciprocal and equivalent, thereupon and thereafter, upon proclamation to this effect by the President of the United States, all articles when imported into the United States, or any of its possessions (except the Philippine Islands and the islands of Guam and Tutuila), from such foreign country shall, except as otherwise herein provided, be admitted under the terms of the minimum tariff of the United States as prescribed by section one of this Act.

By virtue of this provision we promptly represented to all foreign countries that unless they could consent to give us their lowest tariff rates we should be obliged to impose upon them the maximum duties threatened in the law. With most countries little or no difficulty was experienced. But in the case of Germany, France, and Canada the situation was quite different. Although for some time an official statement of the results of these negotiations was withheld, it is now published as H. R., sec. 956, 61st Cong. 2d sess.

The German government withheld from numerous classes of imports from the United States the benefit of its conventional or minimum tariff rates. These conventional rates represented reductions of duty made by Germany as concessions to various governments of Europe in return for equivalent concessions made by them in reciprocity treaties, the mutual benefits of which were given wide application through the operation of the most-favored-nation clause as construed by European governments. The Department of State had found it impossible, previous to the

passage of the Act of August 5, 1909, to obtain for American commerce complete equality of tariff treatment in Germany. The negotiations resulted in action by Germany granting to the United States her full conventional tariff rates in return for the minimum tariff of the United States, this being an exchange of minimum for minimum. The United States was thus placed on exactly the same terms as all other countries to which Germany had granted her conventional tariff in pursuance of treaty stipulations.

The tariff conditions affecting American commerce in France, particularly as regards finished products of manufacture, had been unfavorable. Under the commercial agreements of 1898 and 1908 providing for limited reciprocity, the benefit of the minimum rates on 25 numbers of the French tariff had been granted to the United States. All leading commercial nations competing with the United States in the markets of France had the benefit of the complete French minimum tariff. During the interval between November 1, 1909, and March 31, 1910, the French government applied its complete maximum tariff rates to all dutiable importations from the United States.

By the settlement with France, under which the minimum tariff of the United States was granted to that country, France granted the minimum tariff rates to the United States on about 80 numbers of the tariff where two rates existed. These cover manufactured articles, including agricultural and various other forms of implements, tools, and machinery. In addition, assurances were given as to the maintenance of many general tariff rates in the French schedule, the understanding being that if certain rates are lowered the United States shall be accorded such reduction.

The question requiring adjustment with Canada grew out of the Franco-Canadian treaty which was put in force between the two countries February 1, 1910. The Canadian tariff consists of three schedules—general, intermediate, and British preferential. The British preferential rates are extended only to the United Kingdom and to various Bri-

tish colonies. The intermediate rates are the minimum rates to all other countries. Under the terms of the Franco-Canadian treaty France was given a series of intermediate rates and in addition a small list of special rates applying to peculiarly French products. By the operation of the favored-nation treatment, the treaty rates were extended automatically to several countries besides France, some of whose products competed with the products of the United States in the Canadian market. This question was adjusted after a bitter struggle by the extension on the part of Canada of rates below the intermediate rates of the Canadian tariff to a very few exports of the United States.

A final word may be desirable by way of stating the present position of the United States under the most-favored-nation clause and the Payne-Aldrich Act. We have in force today treaties including the most-favored-nation clause with the following nations:

1. *With the equivalence clause.*—Argentine Republic, Austria-Hungary, Belgium, Bolivia, Colombia (New Granada), Costa Rica, Denmark, Hanseatic Republic, Haiti, Honduras, Italy, Japan, Liberia, Mecklenburg-Schwerin, Oldenburg, Paraguay, Prussia, Russia, Sweden and Norway, Tonga, Tripoli.

2. *Without the equivalence clause.*—China, Ethiopia (Abyssinia), Great Britain, Greece, Ottoman Empire, Persia, Servia.

3. *Unilateral clause.*—Egypt, Morocco, Siam.

With foreign countries we thus have arrangements guaranteeing us the lowest rates granted any other country at present except as already indicated: (1) with France; (2) with Canada; (3) with Germany. To these should be added the familiar tariff concession of 20 per cent made to Cuba and the arrangement for limited free trade with the Philippines, as well as an agreement with Brazil, whereby we receive a few special concessions.

If now a reciprocity arrangement with Canada shall be excepted, how will it affect this existing status?

It is evident that such an agreement will be tantamount to the establishment of a new set of minimum duties if the

theory at bottom of our maximum and minimum provisions shall be held to continue in force. Under these circumstances what will be the necessary attitude of foreign countries?

1. They may demand that they be granted the benefits of the lower Canadian rates without any concessions in return. In so doing they would be demanding nothing more than we ourselves called for in our negotiations under the maximum and minimum provision. But in granting such a demand we should be violating the recognized and traditional reciprocity policy of the United States and the peculiar interpretation of the most-favored-nation clause by which it has been accompanied.

2. Or they may assent to the interpretation of reciprocity and the most-favored-nation clause which is implied in the instructions of Secretary Sherman to Minister Buchanan in 1898 where he said, with reference to the claims of other governments to certain rights which we contemplated extending to the Argentine Republic, that:

The right of the other nations to enjoy the same special concessions depends on their ability to offer an equivalent compensation. When they do this, the favored-nation clause is rightfully invoked.

And again:

What will be an equivalent compensation is to be honorably determined by the governments concerned.

But, should they adopt this point of view, they would indubitably retain the right to insist upon obtaining privileges equivalent to those granted Canada conditional upon offering similar privileges in exchange. For as Mr. Sherman says:

When they do this (offer an equivalent compensation) the favored-nation clause is rightfully invoked.

And as Secretary Hay said to Ambassador White in 1899 with reference to a claim of Germany to be treated in the same way as Switzerland by virtue of the most-favored-nation clause:

Nothing has been conceded to Switzerland which under like conditions would not have been given to Germany.

That the United States could, without a struggle, surrender its traditional interpretation of the most-favored-

nation clause is hardly to be expected. The question would, therefore, remain whether the United States could refuse to open negotiations for the extension of reciprocity arrangements to other countries which might demand such arrangements. Should it so refuse, it must expect to see the present minimum-rate basis granted by foreign countries withdrawn. In fact, it may be expected that almost immediately upon the completion of the Canadian agreement Germany will withdraw from us certain of the minimum rates now enjoyed by the United States. Germany, it is well understood has already made inquiries regarding the probable answer of the United States to a request for the extension of the lower rates of the Canadian agreement to her and is apparently prepared to carry her point to the logical extreme. The question of England's position has already been raised in Parliament and will also be pushed as opportunity favors. Such demands could not be refused, nor could we expect to secure much attention for the former threat that we shall apply our maximum tariff rates to countries which grant a special preference to others.

It is thus apparent that one of the most important aspects of the Canadian agreement is found in the fact that it is an important step toward free trade. The old reciprocity treaty with Canada did not operate in that direction for several reasons: it was terminated too early, before our commercial policy or that of European nations under the high tariff system had been well developed; it fell at a troubled time in national and world history when but little attention could be given to matters of trade and commerce; it affected a country which was then distinctly a dependency of England in the narrowest sense of the term; it antedated by many years the keen struggle for markets which is now in progress. But today the situation is quite different. We may expect that every step in our commercial policy will be closely watched by our rivals and colleagues in international trade. If it is true, as I have suggested, that reciprocity with Canada must be considered in the historical light and that what we shall do must be guided by our course in the

past, we cannot escape the belief that this treaty will constitute a first and most important step away from the unsatisfactory conditions created under the Payne-Aldrich Act. It will necessitate our entering into similar agreements with all countries with which we expect to enjoy friendly trade relations. Refusal to grant concessions in exchange for similar concessions, as we had done with Canada, could only result in friction and international irritation of the pronounced kind and must necessarily subject this country to severe retaliation.

The most important aspect of the present agreement, therefore, is its general international aspect. It opens the way to an improvement of the present unsatisfactory conditions in trade, suggests a development toward less exclusiveness in the future, and affords a possibility of hopeful solution of many trying questions.

The Senate, having acted on this matter, must needs be constrained by the trade policy of other countries to act in others in the future. If the Canadian treaty be adopted, it may prove the first step in a broad tariff policy. It is the first step that costs most, and corresponding credit is due the man who has the courage to take it in the right direction.

Living Age. 268: 491-2. February 25, 1911.

America, Canada and Great Britain.

The announcement of a reciprocal agreement between Canada and the United States for the reduction of tariff duties is an event of considerable moment in the history of the relations of the three great English-speaking nations of the world. The importance, indeed, lies both in the immediate substance of the proposals and the new policy which they initiate. Even sanguine advocates of reciprocity hardly hoped that the agreement would cover so many forms of food and raw materials, including such important articles as grain, lumber, and dairy and farm products, and that the loud-voiced discontent of Canadian farmers would be as-

suaged by a substantial reduction in the tariff upon agricultural implements. The actual proposal fulfills these expectations. Not only farm products and machinery, but many manufactures are included. There are extensive free lists. The British preferential rates are to be equalized with the new duties.

This measure goes a long way to satisfy the growing economic needs of the two peoples. For the absurdity, the waste, the inhumanity of these hardset barriers, forbidding neighbors of the same blood and language from supplying to one another the food and fuel which one possesses in abundance and of which the other is in need, have been becoming more apparent during recent years. At many points along the northern frontier of the Republic have arisen great manufacturing centres, thickly populated and requiring huge circuits of country to furnish their daily food, their lumber, iron, and other raw materials, together with the power to run their factories and workshops. Beyond the same frontier vast tracts of agricultural and stock-raising land have been occupied by incoming streams of settlers, able and willing to work the fields, forests, and mines, which are needed to supply these American demands, while at the same time they are eager to take payment in terms of those very manufactures which their labors cheapen and facilitate. Nowhere are the advantages of free exchange greater and more obvious. No wonder the western farmers of Canada are almost to a man enthusiastic free traders, and that, starting first from the developed manufactures of New England, the demand for reciprocity with Canada has spread all through the frontier states of the Middle and Far West, breaking up the solidarity of the great Republican party, with its high protective policy.

The retention of this obvious barrier to free exchange is a striking instance of the power which political sentiment can exercise to damage the true interests of two nations. During the whole generation succeeding the Civil war, the substantial relations of the two countries continued to render amicable arrangements well-nigh impossible. The in-

equality in wealth, population, and status was too great and obvious, and made itself felt in every approach. The United States flaunted her superior strength and size. Canada did not possess the well-founded self-confidence needed to meet contempt with equanimity. Now that Canada in advancing swiftly in population and in wealth, and has won the dignity and self-reliance of her status as a great new-world power, she is able to take a calmer consideration of her true interests. Meanwhile, the actual pressure of economic needs in the United States, with her ninety millions of people, compels her government to favor some loosening of barriers. If the proposed legislation goes through Congress, it must be estimated, not only on its immediate value, which is large, but as a precedent for further steps of industrial co-operation between the two nations, which may take place at an accelerated pace when this utility is attested by experience.

There are, we know, Imperialists disposed to view with alarm this tariff arrangement with America as inimical to the solidarity of the Empire. That Canadians themselves do not so regard it is evidenced by the fact that the great farmer's demonstration, held recently at Ottawa, urged on the government, as a simultaneous policy, reciprocity with the United States and free trade with the Mother Country. Full free trade in our English sense can hardly be said to lie within the range of practical politics for Canada. But it is significant that, in both great nations of North America, a vigorous movement towards "tariff for revenue only" is afoot, and may, within the next few years, dominate both governments. Such an approach to sound principles of foreign commerce on the part of both America and Canada is far more advantageous to this country, both commercially and politically, than any possible extension of the policy of Imperial Preference. We entertain no dislike of colonial preferences. Why should we? They are admirable, alike as a natural expression of good-will toward the Mother Country, and as a relaxation of a protective tariff. But there is no permanency in them, especially in the case of a

nation with manufacturing ambitions like Canada. This was clearly proved by the partial withdrawal of the preference on woollen goods as soon as the products of Yorkshire mills began to make their merits too evident in Canadian markets.

Our satisfaction at the approaching commercial arrangement between Canada and this United States is, however, by no means confined to our conviction that the interests both of Canada and of the country are served by every approach towards economic co-operation of this order. The political implications of this co-operation are even more satisfactory, when taken in conjunction with the liberal suggestions for permanent and general arbitration between Great Britain and the United States recently put forward in the most friendly spirit by Mr. Taft and supported by many men of influence in both countries. A general arbitration treaty of this sort, to which this country, the United States, and Canada should be parties, would, in our judgment, form the soundest possible foundation for that alliance of the English-speaking nations which should perform in the future a service of incomparable value in the preservation of the peace of the civilized world. Many thoughtful students of politics, watching the menacing clouds which show on the horizon, are turning to some such effective co-operation of powerful Anglo-Saxon peoples as the best safeguard of civilization. But to those in this country who entertain this view, one word of warning is essential. No hearty or lasting co-operation with the United States or Canada will be practicable while we refuse Ireland Home Rule and while our present association with Japan continues. We may be loth to break away from an experiment which, however dark and hazardous, appeared to carry in it certain elements of present utility. But it is best to face the facts. There is, of course, nothing in our Japanese alliance to interfere with the most liberal arrangements for arbitration with America. But such an Anglo-American-Canadian alliance as might not unreasonably emerge from the closer political and commercial relations between these countries is an impossibility so long as our Japanese engagement holds.

Living Age. 269: 67-76. April 8, 1911.

Canadian-American Reciprocity Agreement.

Sir Alfred Mond, Bart., M. P.

The surprise with which the tariff reformers now seem to be overwhelmed at the news of the Reciprocity Agreement, is one more result of their persistent misunderstanding of Canadian fiscal history, Canadian development, and the spirit that inspires the Canadian people. They have from the first been led astray by their besetting delusion that it would be possible for them in one way or another to "noble" Canadian products and trade for Great Britain to the exclusion of other countries. Mr. Joseph Chamberlain, the originator of the idea, furnished himself one of the first and most striking examples of the ludicrous misapprehension of Canadian views in the celebrated schedule of prohibited industries proposed in his speech at Glasgow on October 6, 1903. As the version of that speech subsequently published in book form gives a revised and inaccurate report of what Mr. Chamberlain said, it may be well to quote the exact words used by him on that occasion:

After all, there are many things which you do not now make, many things for which we have a great capacity of production. Leave them to us as you have left them hitherto. Do not increase your tariff walls against us, pull them down where they are unnecessary to the success of this policy to which you are committed. Let us in exchange with you have your productions in all these numberless industries which have not yet been erected.

This proposal by Mr. Chamberlain, who was always disposed to regard the arrangement with the Colonies as a bargain, was evidently in his mind at a still earlier date. Speaking in London on June 9, 1896, he referred to the suggestion that while the Colonies "should be left absolutely free to impose what protective duties they please both upon Foreign countries and upon British commerce, they should be required to make a small discrimination in favor of British trade, in return for which we are expected to change our whole system and impose duties on food and raw material." On this suggestion he made the following outspoken comment:

Well, I express again my own opinion when I say that there is not the slightest chance that in any reasonable time this country, or the Parliament of this country, would adopt so one-sided an agreement. The foreign trade of this country is so large, and the foreign trade of the Colonies is comparatively so small, that a small preference given to us upon that foreign trade by the Colonies would make so trifling a difference—would be so small a benefit to the total volume of our trade—that I do not believe the working classes of this country would consent to make a revolutionary change for what they would think to be an infinitesimal gain.

While on the subject of Mr. Chamberlain's love for a bargain, it may be well to point out that that statesman threw away, without any return, one of the best objects of barter in an arrangement with the Colonies which any British statesman could desire. He bestowed upon the Dominion, without any equivalent to this country, the enormous advantage granted to it by the amendment of the Trustees act, putting Canadian government and municipal securities on the same basis as our own, and thereby enabling the smallest Canadian municipality to raise money on better terms than certain great powers, such as Germany, Russia and Japan, by giving them access to the cheapest money market in the world. That, in reality, was a preference given gratis to Canada at the cost of diminishing the value of British "gilt-edged" securities, and it was of far greater importance to the Canadians than the proposed two-shilling duty on wheat could ever possibly be. If at any time we had had a statesman of really wide vision and foresight, that great advantage accorded to Canada might have been utilized for securing a far more favorable tariff for our goods from the Canadians than they have ever had under the existing preference arrangement, while it would furthermore have been an important step towards eventual free trade between Great Britain and her most important colony.

One of the peculiar difficulties of following the Neo-protectionist arguments on preference, as on their other proposals, is the changes which those arguments have undergone from the commencement of the tariff reform propaganda.

It has suited the tariff reform propagandists in this country constantly to represent the Canadians as clamoring

for the adoption of their preference scheme, while they further tried to secure its acceptance in this country by vague threats of impending disaster to Great Britain and the Empire, alternately of a political and a commercial character. As a matter of fact, that clamor has existed only in their own imaginations.

A reference to some of the statements of Colonial Ministers on this subject will dispose of the idea that any pressure of the kind referred to has been brought upon the Mother Country. The attitude of Canada was very clearly expressed by Sir Wilfrid Laurier in 1897 and by Mr. Fielding, the Canadian Minister of Finance, at the second Colonial Conference in 1902. Sir Wilfrid Laurier said:

If England were giving to me a preference over other nations, taking our goods on exceptionally favorable terms, I would not object. . . . It would be a great boon. But for how long would it last? Would it be an advantage in the long run? That is what men who think beyond the passing moment have to ask themselves. Suppose England did such a thing and abandoned her free trade record, she would inevitably curtail the purchasing power of her people. And do you not think we should suffer from that—we who alone have natural resources enough to feed your millions from our fertile lands? I have too great a belief in English common sense to believe they will do any such thing. What we have done in the way of tariff preference to England we have done out of gratitude to England, and not because we want her to enter upon the path of protection.

The Canadian attitude is still more clearly expressed in the statement by Mr. Fielding in 1902:

We do not profess that we want to introduce British goods to displace goods made by the manufacturers of Canada. That is a point upon which we must speak with great frankness. Whether or not it was a wise policy for Canada to foster her manufactures by high duties is a point hardly worth discussing now; we must deal with things as we find them. We had very high duties under the former tariff. The present government have reduced those duties very materially, especially in the case of British goods. Many things of British manufacture paid 40 per cent., 50 per cent., or 60 per cent., but we have reduced these now down to 23 per cent. from Great Britain, and we think that in those cases we have gone about as far as we can without sacrificing our own manufacturers. The interests are very large: the interests of the capital invested, the labor and the banking interest, and the many other interests which cluster round a great industry. Therefore, if we are asked to reduce our duties and bring in British goods and displace Canadian manufactures, we must frankly say that it is not possible for us to do so. But we say that it is quite possible to give an advantage to British goods in some cases by raising the tariff.

The most rudimentary acquaintance with the history of

this discussion in Canada, shows clearly that the Canadian manufacturers who have welcomed the advocacy of protection in England as a means of strengthening in the Dominion that protection from which they themselves profit, never have had any intention, so far as it lay in their power, to allow British manufacturers to compete on anything like equal terms with their own products. The nature of the gift offered to Great Britain by these manufacturers, the so-called Imperialists of the Dominion is clearly shown by their attitude towards preference to England during the inquiry carried on by the Tariff Commission in different Canadian provinces in 1906.

This attitude is aptly symbolized by the action of a protectionist firm of cotton manufacturers at Valleyfield, the industrial Venice of Canada, who, after running up the Union Jack over their mill, immediately proceeded to submit to the Commission a demand for increased duties in the cotton schedules with the object of reducing the imports from Lancashire. In the evidence given by manufacturers before the Commission, the British Preference was frequently attacked, the witnesses speaking of London and Liverpool as "foreign" and of Englishmen who came to Canada in search of orders as "foreigners." Yet many of those "Canadians" who thus proclaimed their newly acquired nationality hailed from the very districts whose imports they wished to exclude from Canada. Mr. Porritt, in his *Sixty Years of Protection in Canada*, points out that the Canadian quarrymen who were endeavoring to exclude Aberdeen granite, were themselves chiefly Scots from Aberdeen. One of them confessed to Mr. Porritt that he expected the people at home would think they were "darned mean."

Mr. Porritt says, "It is difficult to recall a single session of the Commission in industrial Canada in which the preference (to Great Britain) was not attacked by the manufacturers." On the other hand, the farmers constantly and enthusiastically defended preference—they, together with the importers of textiles in Montreal and Toronto, being urgent in their pleas for the repeal of the Tariff Act amendment of 1904 which curtailed it. "The farmers commended

the preference because it afforded some relief from the tariff and because it served as a tie to the Mother Country. They realized that as a result of the good feeling towards Canada, Great Britain gave a sentimental preference to Canadian products, and that they had already a market in England for all their produce."

Of course, in the resolutions passed by Canadian manufacturers at public meetings and intended for British readers, their real intention to "protect" themselves effectively from British competition is not so plainly expressed, although it is sufficiently obvious. Thus, for instance, in a resolution of the Canadian Manufacturers' Association, the "substantial preference to the Mother Country" is made subject to the condition that "the minimum tariff must afford adequate protection to all Canadian producers." The Ottawa Board of Trade in November, 1903, also insisted upon such a form of protection as would "reasonably safeguard such industries and business interests as have been developed under the existing tariff conditions."

A great deal of the difficulty of British trade with Canada, as with the Protectionist Colonies generally, consists in the tariffs secured by the Colonial manufacturers against English goods, which in Canada in particular heavily burden the woollen and cotton industries. On the other hand, the only real hope of relief from this burden lies in the general lowering of the tariff walls in response to the protests of the consuming masses. Those flag-waving colonial patriots seem to think that they have done something very generous when they give this country a preference over her foreign competitors, while the duty to which her goods are still subject is sufficient, practically to exclude or greatly hamper them in favor of the protected colonial article.

Speaking in Parliament at Ottawa on February 9, 1911, Mr. Fielding, the Canadian Minister of Finance, thus characterized this type of Colonial Imperialist: "Unable to deal with the question (of reciprocity) on its merits, many opponents are beating the big drum of Imperialism and thereby insulting the intelligence of the Canadian people."

As to the alleged damage done to Imperial interests by the manner in which the Liberals are said to have held the Colonies at arm's length, and rejected offers by the latter of which nobody had ever heard, the best answer is to be found in the statements of responsible Canadian Ministers, including Sir Wilfrid Laurier, and in the resolutions of the farmers of Canada, who have been the most consistent and effective supporters of preference to England, and the only class directly interested in the tariff reformers' proposal. The Hon. W. S. Fielding, the Canadian Minister of Finance, telegraphing on February 7, 1911, to the High Commissioner for Canada, not only disposed of the fears that the Reciprocity Agreement might seriously affect imports from Great Britain and that discrimination would be made in favor of the United States and against this country, but expressly stated that

Canada's right to deal with the British preference as she pleases remains untouched by the agreement. The adoption of the agreement will probably lead to some further revision of the Canadian tariff, in which the Canadian Parliament will be entirely free to fix the British preferential tariff at any rates that may be deemed proper.

The determination of the Canadian farmers as expressed in the resolutions laid by them before Sir Wilfrid Laurier on December 16, 1910, is equally clear. They state that they

also favor the principle of the British preferential tariff, and urge an immediate lowering of the duties on all British goods to one half the rates charged under the general tariff schedule, whatever that may be; and that any trade advantages given the United States in reciprocal trade relations be extended to Great Britain.

They likewise advocate

such further gradual reduction of the remaining preferential tariff as will ensue the establishment of complete free trade between Canada and the Motherland within ten years; and add

that the farmers of this country are willing to face direct taxation in such form as may be advisable to make up the revenue required under new tariff conditions.

That the Canadian government is inspired by precisely the same desire is evident from the statement made by Mr. Fielding, the Finance Minister, in the Canadian House of Commons on January 26, 1911, in the course of which he said:

Of course, as a general principle, whether Great Britain is to be interested or not, any duty that may be lowered to any foreign country, according to our well-established policy, would be at the same time lowered to Great Britain, and a clause will be inserted in the resolutions which I shall have the honor to propose providing that where in any case the duties are lowered the benefit shall be extended to Great Britain. As a matter of fact, they are only lower on a few items of food-stuffs than the preferential rate, and they are articles which Great Britain does not send us at all. Notwithstanding, I think that if this arrangement be confirmed, it would probably lead to some readjustment of our tariff here and there, in order that we may maintain, as we fully intend to do, the principle of the British preference, and that the concessions under the tariff now existing may be maintained under the condition of affairs when the arrangement is made. . . . The preference is a great and important question. We have dealt with it in the past, we shall deal with it again. I do not want to import into this discussion anything of party color, but I ask my hon. friend if he does not think that the British preference may safely be trusted in the hands of the men who created it?

If any further proof were needed that the "one-sided bargain" proposed by Mr. Chamberlain is not necessary for the maintenance of Canadian loyalty, it would be found in the indignant protests of representative Canadians against the tariff reform thesis that their loyalty could only be secured by the payment of a price.

As a matter of fact, it is evident to all those who have followed the development of the tariff reform propaganda in this country that their proposals have always been too vague for any business man to base practical calculations upon them. That vagueness and inaccuracy still continue, as may be seen by the statement of the Leader of the Opposition in the House of Commons on February 6, which in its reference to thirty years during which Canada vainly offered preference to Great Britain, and his suggestion that reciprocity with the United States is a new departure, furnishes an interesting illustration of the "persistent sloppiness" rightly attributed by Mr. Asquith to the whole propaganda.

In Canada the movement in favor of reciprocity with the United States goes back to the beginning of the nineteenth century. It assumed an exceptionally vigorous character in 1846 on the adoption of free trade by this country and the concurrent grant of greater fiscal freedom to the British North American provinces, complaints be-

ing made that Peel had not on that occasion secured from the United States the free admission of Canadian products. The reciprocity which was then demanded was eventually secured by the Elgin-Marcy Treaty, which remained in force from 1854 to 1866, when it was brought to a close by the United States. The renunciation of that Treaty, which had greatly stimulated the trade of both countries, was deeply resented in Canada, yet so great was the desire of the Canadian people to restore a similar agreement with the States that both Conservative and Liberal Administrations sent Commissioners to Washington to promote it in 1892 and 1898-99, numerous other attempts being made with the same object both before and after those dates, while for many years the offer of reciprocity retained its place upon the Canadian Statute Book. Indeed, absolute free trade both in manufactures and natural products was advocated in the Liberal campaign carried on in 1888 by Sir Richard Cartwright, and it was the reciprocity plank, formally adopted in 1893, which won the election for the Liberals in 1896. It was only the persistent refusal of Washington to consider the suggestion and the decision in 1896 to raise a tariff wall against the Dominion that forced the Canadians into the independent development of their own resources and the search for trans-oceanic markets east and west.

It should hardly be necessary to recall that preference was introduced by the Laurier Ministry in 1897 in redemption of the free trade pledges made by them in the preceding campaign in which they defeated the Conservatives. Those Canadian Conservatives who now, in opposition, are such strong advocates of preferential arrangements with the Mother Country gave no preference whatever to Great Britain from 1887 to 1896, during which period they were in power, any more than the British Conservative Tariff Reform party took any practical steps during their long term of office to grant to Canada the preference which they advocate. Speaking at Lethbridge on August 31 last, Sir Wilfrid Laurier taunted his Conservative opponents with their opposition to reciprocity on the ground that it might en-

danger the British preference. He recalled that it was the Conservatives who had always opposed that preference, and that on its introduction in April, 1897, Sir Charles Tupper, the leader of their party, declared it was going to destroy Canadian manufactures.

They repeated that for one or two years, and then they had to abandon the cry because the manufacturers were not destroyed. The tall chimneys did not topple over, but became stronger, and there were more of them. They had another cry, which was that it was not patriotic to give the preference to the trade of the Mother Country unless the Mother Country was prepared to give us the preference in her own markets also. . . . Why did we give it? First of all, because it suited us to do so.

Here it may be recalled that at an earlier date, between 1879 and 1887, strong protests were made from time to time in this country against the protective policy of Canada against England—among the most noteworthy being that by John Bright at Birmingham in 1885 and those in both Houses of Parliament in 1887.

The subject of a probable reciprocity arrangement was, of course, keenly discussed in the Dominion as well as in the United States last autumn. It was both advocated and opposed on many different grounds. In Canada, some of the most weighty opinions I heard expressed, while approving of it in principle, merely expressed doubt as to the possibility of ever arriving at anything like a fair bargain with the American negotiators. In fact, it was more a question of terms than of principle that gave rise to doubts on the part of some Canadians as to the wisdom of entering into any negotiations at all. This is not surprising in view of the repeated rebuffs which proposals for reciprocity on the part of the Canadians had formerly met with at Washington.

As usual in protectionist countries, all those sections in both countries who benefit by the tariffs at the expense of the rest of the community are very local. The depressing experience of the Canadians in the past thus led to a kind of blindly fatalistic conviction that it would be impossible ever to find a body of public opinion strong enough to overcome the resistance of the interested advocates of the *status quo*. Even the Canadian friends of reciprocity were very doubtful whether the negotiations would lead to any

practical results. But this time the hands of Sir Wilfrid Laurier were undoubtedly much strengthened by the revelation of the force of free trade feeling in the growing West of Canada, a force which he had himself had an opportunity of gauging during his tour through those provinces last year, and which found a visible and impressive symbol in the large and important deputation of farmers that came to Ottawa on December 16 to lay their views before the government.

On the other hand, the swing of the pendulum in a democratic direction at last year's election in the United States—a swing due in the main to a passionate revolt of the American people against the Payne-Aldrich tariff, a revolt so universal that it took by surprise even the cleverest electioneers and had to be witnessed on the spot to be thoroughly realized—forced the hands of the Republican Executive. It made obvious to the Republican leaders that they must swim with the tide or be prepared to see their party submerged at the Presidential Election in 1912. The significant fact that not only President Taft but Colonel Roosevelt supports the ratification of the Reciprocity Agreement, and that some of the oldest "standpat" hightariffers among the Republican chiefs have taken the same course, is the best indication of what popular feeling in the United States is believed to be by those who have made it the business of their lives to keep their finger on the public pulse.

This combination makes it practically certain that the Reciprocity Agreement will be ratified in both countries and that little heed will be paid to those representatives of sectional interests who were formerly all-powerful at Ottawa and Washington. It is not to be expected that when once this breach has been made in the tariff wall it will ever be rebuilt, or even that the barrier will be allowed to remain intact in other directions. Already the farmers' organizations in America are beginning to demand reductions in the tariff on manufactured articles as compensation for the fact that they are themselves to be exposed to the free competition of their Canadian rivals in their own business.

Let us consider for a moment the character of the Reciprocity Agreement which the United States has now been driven to accept by the combined effect of the popular revolt against high prices and the growing needs of her own manufacturers for fresh supplies of cheap raw material. The new arrangement, which does not take the formal shape of a treaty, but is to come into effect by concurrent legislation at Ottawa and Washington, comprises a comparatively large schedule concerned chiefly with food products of all kinds that are made reciprocally free in both countries. This free list comprises:

Live animals and poultry, corn and fodder, fresh vegetables and fruits, dairy produce, oils, seeds, fish, salt, mineral waters, half-finished timber in various forms, plaster rock, mica, feldspar, asbestos, etc., glycerine, talc, sulphate of soda, carbon electrodes, rolled iron or steel sheets, and plates, steel wire, galvanized iron, etc., type-casting and type-setting machines, barbed fencing wire, etc., coke, wood-pulp and paper.

The second schedule establishes identical rates of duty for a considerable number of semi-manufactured food products; fresh meats, bacon and ham, wheat and other flours, oatmeal, barley malt, pearl barley, etc.; macaroni, biscuits, candied peel, fruits and confectionery of all kinds, pickles and syrups, mineral waters in bottles, essential oils, etc.; a long list of agricultural implements, stone, roofing-slate, asbestos, printing ink, cutlery, clocks and watches, etc.; printer's cases, canoes and small boats, feathers, surgical dressings, plate-glass, motor vehicles, machines for the manufacture of wood-pulp, musical-instrument cases, etc.

Special rates of duty are granted for other articles specified in two further schedules, C and D, including aluminum, laths, sawed boards, iron ore, coal, cement, trees, condensed milk, biscuits, canned fruit, etc.

A little consideration of the foregoing categories will shows that the concessions granted by Canada to the United States will interfere very little with British imports. During the debate on the Address Mr. Sydney Buxton pointed

out that out of the total British trade with Canada of £20,000,000 only about £800,000 is effected by the Reciprocity Agreement, so far as preference is concerned. Of that amount £477,000 worth of British goods still retain a preference of 10 to 12 per cent., thus leaving a balance of no more than £316,000, or $1\frac{1}{2}$ per cent., of British imports to Canada, the duties on which will in future be identical with those on American goods. At the same time the reciprocity agreement will afford great relief to the Canadian no less than the American masses, and considerably increase their capacity for the purchase of manufactured articles, which cannot fail to benefit British trade with Canada.

Many of the arguments that have been used in the Press and in the recent discussion in the House of Commons as to the effects of the proposed reciprocity arrangement, if ratified, more especially those dealing with the question of transportation and political results, simply ignore existing conditions. A great deal has been made of the statement, for instance, that the traffic flowing now from west to east will hereafter flow from north to south, and that this must seriously damage the great transportation lines of Canada as well as our own commercial interests. The best practical answer to this allegation is the fact that great railway men in Canada and the powerful interests which they represent do not share this apprehension. The way in which the enormous traffic now passing from Canada to the United States and *vice versa* has been ignored, as well as the large transit trade of Canadian corn through American ports in the winter months, reveals a woeful lack of study of the subject. It seems to be entirely forgotten that even under existing conditions the total trade between the United States and Canada considerably exceeds that between Canada and the Mother Country. While in the year ending March 31, 1909, the total trade of Canada with the United States was \$285,265,717, or say, £59,000,000, that with Great Britain was only \$204,302,113, or £42,000,000. A further noteworthy circumstance is that while the total imports of Canada from the United States were \$192,661,360,

or more than double the amount of Canadian exports taken by the United States, which amounted to \$92,604,356, the British imports to Canada were but little over half the amount of the exports from Canada to Great Britain, that is to say, \$70,556,738 worth of imports as against \$133,745,375 worth of exports. In 1908, 19,768,000 bushels of Canadian wheat were shipped in transit through the following American ports: Baltimore, Boston, New York, Philadelphia, and Portland, while 506,105 barrels of Canadian flour were forwarded through the same ports in the same year.

As a matter of fact, both in Canada and the United States there is naturally a flow from west to east of agricultural products, while water transportation is open from the heads of the lakes down to the seaports on the east coast. The wheat areas of both countries have to a large extent the same outlet at the head of Lake Superior. On the other hand, there is a large traffic north and south, not merely in manufactured goods but in such heavy articles as coal, coke, lumber, etc. No one who has visited the two countries and realized what a purely artificial and arbitrary line of division the customs tariffs have raised between two peoples who have so much in common in life and thought, will be surprised to find that at a favorable political juncture like the present, old jealousies are being put aside, sectional, selfish interests are being overridden, and common sense is having its way after a lapse of many years. That the industrial population of Maine and Massachusetts should be precluded from the use of the agricultural produce of Quebec, so suitable for the cultivation of fruit and vegetables; that the wheat-growers of Alberta and Saskatchewan should be cut off from the American central market, with its growing industrial population; that two countries whose coal deposits are placed by Nature in the case of Canada at the extremities, and in that of the United States mainly in the center of a line of frontier extending for about three thousand miles,—is a condition of things which could not in reason be expected to continue, and which no amount of artificial straight-waistcoating on the part of our tariff reformers could have maintained in the long run.

If the idea that an extension of trade between Canada and the United States must draw the Dominion into the political orbit of its great neighbor were well founded, this process would already be manifest, as no force in this world could permanently prevent the growth of trade between these two populations. Indeed, there has never been, nor is there now, any political foundation for this hypothesis. The Canadian people are a very distinct political entity, and the sense of Canada's nationhood is what most impresses any visitor to that country. Whatever may have been the fears or hopes of those who years ago looked forward to Canada ultimately entering the Federation of the United States, I do not think that any statesman in either country would to-day, in spite of Mr. Champ Clark's misunderstood joke, seriously consider that eventuality as one worth discussing.

A number of prominent Canadians, some of them supporters of the tariff reform standpoint in this controversy, have effectively helped to dispose of the idea that Great Britain is likely to suffer seriously either from an economic standpoint in consequence of the Reciprocity Agreement. According to the *Daily Mail* correspondent at Ottawa, in a telegram dated February 7, 1911, several conservative newspapers in Canada considered that the Agreement was not only a good thing for the Dominion, but would do no harm to the Empire. Sir Donald Mann, Vice-President of the Canadian Northern Railway, goes as far as to say that the arrangement will benefit English trade, while Sir W. Mackenzie, president of that railway, repudiates the idea that the Agreement will throw Canada politically into the arms of the United States. He does not think that it will have any political effect whatever, and asserts that there will be no tendency under it to weaken the ties between the Dominion and the Mother Country. Sir W. Mackenzie does not believe that a large proportion of the Canadian wheat crop will be diverted to the south. The Americans, he says, now produce all the wheat they require, and if they import wheat from Canada, they will themselves have all the more to export.

It is not necessary to conclude, as many here do, that the increase of American trade means a diminution of British trade with Canada. In fact, the figures for the five years 1905-1909 show that the trade of this country and the United States with Canada has increased concurrently within that period. In a great number of products England cannot possibly compete with the United States in the Canadian market, as is evident when it is remembered that to a large extent Canada's imports from the United States consists of commodities such as agricultural produce, including bread-stuffs, sugar, and raw tobacco; animal, fishery, and forest products; and minerals comprising coal, oils, and ores. In the matter of manufactures, the fact that the habits and conditions of life of the Canadians are so similar to those of the States give a great advantage to American manufacturers. The latter are already making articles for their own immense market which are equally suitable for Canadian requirements. The English manufacturer, on the other hand, is in a very different position, as, in order fully to meet the Canadian demand, he would have to establish special departments, new designs, models and patterns adapted to the local conditions of what is for him, up to the present, a relatively small market. When in Canada I heard many complaints of a certain want of adaptability on the part of British manufacturers to the requirements of their Canadian customers, and of an unwillingness either to study or to comply with local requirements, with the result that many merchants who preferred English goods owing to their superior workmanship were unable to sell them. Another advantage enjoyed by the American manufacturer is proximity to his customer, which enables both to enter more easily into direct personal relations.

To compensate for these natural disadvantages, English manufacturers will have to devote more money and thought to the establishment in Canada of stocks, warehouses, and other facilities with the object of enabling their customers readily to obtain supplies of spare parts and all those little details that mean so much in the conduct of industrial en-

terprises, and in the smooth working of their daily routine. Our firms would also need to organize a more energetic propaganda for British goods in the Dominion, and to take into account the necessity of relieving themselves as far as circumstances permit of the handicap imposed by the difference in currency and weights in Canada. They should accommodate themselves to Canadian requirements in those respects, and base their calculations on the dollar currency and on the short ton of 2000 lb., which is universally adopted on the North-American continent. There can be no doubt that a certain revision of the methods of British manufacturers in these respects would do much to increase the sale of English goods, the solidity and high quality of which are fully appreciated by the Canadians, who would be glad to do business with our firms in preference to any other if a greater attention to their requirements made it possible for them. There is a huge business awaiting our manufacturers in the Dominion, a vast country with unlimited resources, and a rapidly growing market, in which closer attention and greater energy will do far more to foster their trade than **tariff crutches**, with their paralyzing influence on enterprise.

Although it may be a long time before a state of absolute free trade comes into existence between the two great kindred states of North America, it is now quite clear that there the apostles of high protection have had their day. How far this swing of the pendulum may lead in the immediate future to a further demolition of tariff walls it is difficult to forecast. The moral effect, however, of the practical proof in both countries that the free exchange of products leads to greater prosperity and not to mutual destruction, cannot, if properly emphasized, be lost upon the intelligent democracies of the two most progressive States of the American Continent. All those who hold that an increase in the world's trade, the reduction of artificial barriers, and the most economic use of the varied potentialities of the earth are a gain for humanity must rejoice to think that a great step in the direction of universal free trade has been taken in the conclusion of the Reciprocity Agreement between Canada and the United States.

Nation. 92: 158-9. February 16, 1911.

Canada's Free Hand.

Mr. Balfour has condemned the Canadian reciprocity agreement as "an imperial disaster." To the "tariff-reform" Imperialists, the probability that effect will be given to the agreement is, indeed, galling. But Mr. Balfour is the first British statesman to denounce any of the attempts in the past sixty-five years to establish reciprocal trade between Canada and the United States. In Canada and in the other over-sea possessions of Great Britain, this new Imperialism must come with a shock—for if it means anything, it means that the new Imperialism would impair the absolute fiscal freedom which the self-governing colonies have enjoyed since 1846. This accrued to the colonies partly by accident. Sooner or later it must have been conceded to them.

It was Peel's reforms of 1846 that gave the larger colonies their new freedom, simply because, when it was no longer the policy of England to maintain protective tariffs, it ceased to be possible to intertwine the tariffs of the colonies with the British fiscal system. Within ten or twelve years were enacted tariffs for Quebec and Ontario in which there were duties intended to protect Canadian manufacturers from British competition. British manufacturers—in particular the iron and steel interests of Sheffield and Glasgow—vigorously protested to the Colonial Office against these Canadian taxes. The Duke of Newcastle, then colonial minister, sympathized with the British manufacturers, and made some remonstrance to Galt, the Canadian minister of finance. But Galt was only extending a policy that has been begun a year earlier by Gayley; and his reply to the Colonial Office was that self-government would be annihilated if the views of the Imperial government on colonial fiscal questions were preferred to those of the people of Canada. "It is, therefore," he continued in his letter to Newcastle, "the duty of the present government distinctly to affirm the right of the Canadian Legislature to adjust the

taxation of the people in the way they deem best—even if it should unfortunately happen to meet with the disapproval of the Imperial Ministry. Her Majesty cannot be advised to disallow such acts, unless her advisers are prepared to assume the administration of the affairs of the colony, irrespective of the views of its inhabitants.” The royal assent was not withheld; and since that time a British government has never intervened to prevent the enactment of a protectionist tariff in any of the over-sea dominions. Since 1859, there is not one of the self-governing colonies that has not sought to protect domestic industries from the competition of British manufacturers.

Even before the Galt and Newcastle controversy of 1859 settled it that fiscal freedom went with responsible government for the colonies, the British government had been willing to assist in bringing about reciprocal trade between the United States and the British North American Provinces. They were not prepared for the sudden change which came in 1846. Montreal and Canada complained that bankruptcy faced Quebec and Ontario with the ending of preferences for their exports. Gladstone, who was then under-secretary for the colonies, was reassuring. But it was said that Great Britain, in establishing free trade with the world, had not guarded the interests of Canada. It was insisted that England, when throwing open her ports to American grain, should have stipulated with the United States for reciprocity for Canada. The Elgin-Marcy Treaty was the result of the appeal to London from the North American Provinces. Twice since the abrogation of the treaty, Great Britain has used her good offices to effect a return to some such system of free exchange between the United States and Canada as was in existence from 1854 to 1866. Were Mr. Balfour at this time Prime Minister, and were Canada as now intent on obtaining reciprocity, his government would not dare to withhold any diplomatic aid that might be necessary.

Canada is the only Dominion whose trade interests can be much advanced by a reciprocity agreement with a non-British country. Yet all the colonies would have been

alarmed had the utterances of Mr. Balfour come from the Prime Minister. In Mr. Balfour, they are understandable in view of recent developments in both England and Canada. Three times since 1906 the British electorate has repudiated the scheme for a protective tariff with preference for the colonies. In Canada the Manufacturers' Association has repeatedly served notice on the Ottawa government that there can be no British preferences in the Canadian tariff which leave Canadian industries without protection against all comers; and there were many curtailments of the British preference when the tariff was revised in 1907. The repudiation of the Chamberlain plan was the second serious setback in Canada that the movement for protection begun in England in 1903 has received. A third setback is the proposed free trade in all natural products between the United States and Canada. Canada is the keystone of the arch of the Chamberlain-Milner Imperialists; and it is easy to understand why Balfour takes the gloomy view that reciprocity between the United States and Canada is an Imperial disaster.

Nation, 92: 184-5, February 23, 1911.

Reciprocity and the Farmers.

The trade agreement with Canada should set our farmers to doing some thinking about the effects of high tariff duties on their business. They have been ready to believe it when they were told that, because other countries cannot send us their farm products without paying heavy duties, therefore our farmers are "protected." Manufacturers and politicians have presumed on the gullibility of the farmers. That they have done this with so much success is one of the curious facts of our tariff history. Perhaps farmers are a bit slow to look into a complicated system that oppresses them. In France of the eighteenth century, it has been well said that the farmers were the mules of the Old Regime. They carried the burdens; the other classes had whatever advantages there were. When the French peasants finally woke up

to the situation, they became the mainstay of the Revolution. One may hope that our farmers, too, are on the eve of a great awakening. For, as a class, they gain nothing from the tariff; on the contrary, they suffer a huge economic loss every year from its operation.

If the farmer studies the case, he will discover that, in the first place, our tariff does not and cannot raise the prices of our agricultural staples. These are constantly exported; they have to find their markets abroad, and must accept the prices that result from competition with similar products from Canada, Argentina, Russia, and all other farming countries. The price of wheat in Liverpool is surely not "protected" by our tariff. And since the price of wheat sold at home, for consumption here, cannot even equal the Liverpool figure, it is as clear as day that our tariff duty on wheat has never added a cent to the price of wheat in the United States. And what is true of wheat is true of all other farm products that enter into our export trade. If our duties exclude some Canadian wheat, barley, meat, etc., the only effect is to increase Canada's export of those articles to Europe, where our products must meet their competition, and submit to the resulting price. And, we repeat, this European price governs the price here. Clearly, therefore, if our farmers will consider, they cannot fail to see what an empty favor the tariff on farm products offers them.

But this is far from being the whole case: it is only one side of it—the side of no gain. Now for the loss. This falls under two distinct heads. First, the obvious loss to our farmers from having to pay high prices for most of the things they buy for their own consumption. The prices of nearly all manufactured articles, whether imported or made at home, are enhanced by the tariff. When the farmer buys any of the thousand and one articles needed for himself and his family, he pays prices made higher by the tariff than they would be without it. That is what the tariff on manufactures is for. The tariff on farm products is meant to bamboozle the farmers. But the tariff on manufactures is a very different matter. The prices of our manufactures are not

fixed in free competition with all the world. The tariff wall comes between.

This immediate and direct loss appears at once when a tariff is set up in a country. The producers of exports lose as buyers of other commodities. But there is another and probably greater loss that comes slowly and indirectly. It is more difficult to explain, because it depends on the working of more obscure though quite irresistible laws of trade. A tariff wall disturbs the natural movement of money between countries. It does not at once diminish exports, but does diminish imports. The customer countries have to remit money instead of the goods they formerly sent. This movement of money goes on through a term of years until a new equilibrium of trade is reached in which each country's exports are again roughly equal to its imports. One of the forces at work to reestablish equilibrium is the rising scale of prices in the tariff country. The inflow of money has this sure result in the course of years. Producers of exports feel this rise of prices in all things that they buy; but in selling their own product they get no rise, for the price of their product depends, even at home, on the price it commands abroad. That is the precise position of American farmers to-day.

In this indirect price-raising by the tariff, as in the direct and immediate effect, farmers have no share as regards their own product. Their costs of producing are increased: they pay more money for labor and implements, and their family purchases are at raised figures. But the prices of their exportable crops are in fact lowered, for they are fixed in other countries where the supply of money is relatively small—fixed by the cost of producing similar crops in countries where money goes farther in paying costs. So our farmers are burdened by the indirect operation of the tariff.

Does some one think that in saying the tariff causes our country to have a greater supply of money than it would have without the tariff, we give a conclusive argument in favor of the tariff? Why, a common laborer has

been heard explaining to his companion that if you get two dollars where you formerly got only one, but have to pay two dollars for what formerly cost you only one, you have gained nothing. That is good sense and good political economy. Unfortunately for our farmers, their case is different. They get no increase of price by the tariff, but have to pay more for what they buy. The excess of money brings them only damage and loss. Can they wonder that they are so often disappointed at the results of their labors?

Review of Reviews. 28: 462-6. October, 1903.

Future of Canada and Reciprocity with the United States.

Eugene G. Hay.

There was but little difference in time in the settlement of the Canadian provinces and the colonies that in 1789 became the United States of America. They were settled by substantially the same race of men. In 1867, when the Dominion government was formed, the United States had become a great, mighty, prosperous nation, stretching from the Atlantic to the Pacific, while the Canadian provinces had progressed but slowly. Since the formation of the Dominion government, the growth of the Canadian provinces has been far more rapid, yet how insignificant when compared with the mighty strides the United States has made during this period. The acceleration which came to Canada with the formation of the Dominion government was the result of that unity of action which was thus made possible; that it has not grown and developed as the United States has, is the result of the impossibility of independent action that is inherent in its colonial existence. It is possible that colonial government may be wisely administered, that it may be honestly administered, yet under it a people can never become great. Their resources can never be fully developed, their enterprise and their energy can never have full play, and their inventive genius can never reach its full limit. Their commerce, which is the chief factor in national

greatness, is necessarily held by the same leading strings that guide their political existence. A people to become truly great must live under a government that can do business with other governments; a government that can have a foreign policy of its own, and diplomatic and commercial relations with the other governments of the world.

Canada Hampered in Trade Relations

The industrial, commercial, and political interests of Canada are essentially Canadian, essentially cisatlantic; yet under the anomalous governmental conditions under which the Dominion exists, its interests are necessarily bound up with British interests, scattered as they are over every continent. Canada has now reached that point where its relations with other countries require individual treatment. This, under existing conditions, is difficult if not impossible. In the great political centers of the world, Canada has no diplomatic representative; in the great commercial cities, it has no consuls. An army of trained men are reporting to Washington, each day, the conditions of commerce in the great centers of population; these men are constantly alert to extend American commerce in the cities and countries where they are stationed. Canada must secure all information from London, and every move to extend her commerce must be through a British representative. His duties require him to have first in mind the interests of the mother country, and in looking after Canadian interests he must do it with reference to the interests of Australia, of South Africa, of India, and of the islands of the sea.

An Empire of Grain Fields

This was all well enough when Canada was composed of a few fishing settlements that fringed the Atlantic coast, and Quebec and Montreal were on the frontier. Now it stretches three thousand miles west from Montreal, and northwest to the far-distant head waters of the Yukon. Locked in the mountains of the Canadian possessions is

mineral wealth second only to that of the United States, while her agricultural possibilities can scarce be exaggerated. Between the Lake of the Woods and the Caribou Mountains the forces of civilization are building a mighty empire, destined soon to become the granary of the world. The province of Manitoba and the districts of Assiniboia, Alberta, and Saskatchewan extend 400 miles north and south and 900 miles east and west, embracing an area of 359,000 square miles. Add to this Athabasca, with its 122,000 square miles, in which is situated the beautiful Peace River Valley, said to be as fertile and productive, as the valley of the Red River of the North, and we have an area of almost half a million square miles. In the light of the development of our own great Western prairies, is it too much to say that one-half of this is arable, and will eventually come under the plow. More than one-third of it lies west of the one hundred and fifth meridian. Forty years ago, the man who would have predicted that the time would come when 200,000,000 bushels of wheat would be raised in the United States north of the forty-fifth parallel, and between the continental divide and the Rocky Mountains, would have been set down as insane. Yet that is what has happened. Is it not, then, within the bounds of conservative statement to say that within the lives of the present generation 200,000 square miles of this Canadian territory will be under cultivation? Scarce 2 per cent. of this land was cultivated last year, yet they raised 60,000,000 bushels of wheat and sufficient other small grain to bring the total grain production to more than 100,000,000 bushels. Seventy-five thousand settlers entered this territory last year, and more than one hundred thousand more will make their homes there this year. When settled as thickly as our own Western prairies are to-day, it will afford a market for everything required in a grain-growing country unequaled on this continent. Unless her progress shall be arrested by political conditions, the next generation will see the center of Canadian population and power in the basin of Lake Winnipeg. Canada must then have a population of more than twenty millions of people.

Canada Must Work Out Her Own Salvation

Will such a people, possessed of such boundless wealth, permit it to remain undeveloped, and their progress retarded by outgrown political institutions? If they do, they will prove false to Anglo-Saxon traditions! Could twenty millions of people, possessed of such diversified interests, respond to the leading strings of colonial government? This question carries its own answer. What, then, is the ultimate destiny of Canada? Those Americans who talk of the United States annexing Canada, either by force of arms or by a tariff policy that excludes Canadian products from our markets, woefully misunderstand the temper and the spirit of the race to which they belong. Let them remember that a country peopled by Anglo-Saxons has never been annexed. In thinking of forcible annexation they forget the "Spirit of Seventy-six" and the race in which it was aroused. The policy of commercial exclusion has proven a dismal failure. When, in 1866, our government annulled the reciprocity treaty of 1854, it was thought that the United States was Canada's only market, and from time to time, as our tariffs have been raised, misguided statesmen have expected to see Canada forced into suing for annexation. Not so! Our market was their natural market, but when it was denied them, they sorrowed, but not in despair; disappointed they were, but not discouraged, and like the race to which they belong, wherever found upon the round globe, they turned their energies to making the best of the opportunity that was left them. They have found other markets for their products, and prospered. What, then, of the future? That the people of Canada will work out their own destiny there can be no doubt. That they may be helped or hindered by the action of our government is equally certain. Canada must eventually either become an independent nation, or by the free, voluntary act of her people and the consent of the people of this country, become a part of the United States, as Texas did, upon terms of full and complete equality. As to which is the more alluring; as to which presents the best

opportunity for the development, progress, and prosperity of Canada; as to which will most accelerate the solution of those ethical and moral problems in which the people of each country have a common interest, it is idle for us on this side of the line to discuss, for it is a question that must and will be settled by the Canadian people.

The Tariff Wall

But whether Canada's future is to become a free and independent nation, or a part of the American Union, the commercial relations between the two countries should be as free and unrestricted as it is possible to make them. Experience has demonstrated that the easiest and least burdensome method of providing for public revenues is by tariff duties. But aside from making provision for fiscal necessities, our justification for a protective tariff is the protection of our high civilization by upholding the American wage standard. As between the United States and Canada the reason for this does not exist, and our tariffs against the products of Canada operate as an unnecessary and harmful restraint of trade. All will agree that no harm could come to the great commercial interests of New York or New England if Ontario and Quebec should be admitted as states of the American Union. The freedom of trade between the States and the vast territory over which our commerce extends without restriction or hindrance has been the most potent factor in our prosperity; to increase that territory by adding contiguous states, peopled by the same class of people, maintaining the same civilization, with similar political institutions, would therefore increase that prosperity. Measurably the same results may be attained without a political union. To abolish all tariffs between the United States and Canada would greatly enhance the commercial interests of both countries. This condition, however, cannot be brought about at once, owing to the fiscal necessities of the Dominion government, as for some time to come Canada must derive a large part of her necessary revenues from customs duties on commodities that could be bought in the United States.

The British Zollverein Proposition

Secretary Chamberlain's proposition to create a British tariff for the purpose of establishing colonial reciprocity is an attempt to save the empire which the elder Pitt created. But his task is greater even than was that of Lord Chatham. The problem that confronts him in the twentieth century is entirely commercial, while in the eighteenth century, in the establishment of England's colonial empire, her great prime minister had the powerful aid of war and military conquest. That momentous tragedy on the heights of Abraham, which changed the history of this continent, could not be enacted with the same results in the twentieth century. The mighty currents of commerce cannot be permanently diverted from their natural channels, and had Chamberlain the genius, the wisdom, and the undaunted spirit of him who by common voice was the most powerful minister that ever guided the foreign policy of England, his efforts would yet be doomed to failure. His proposition, stripped naked, is to tax the breakfast table of every man in England, be he rich or poor. For what is he asked to pay this tax? No benefit will inure to him, for the duty is to be placed on articles which England consumes, but does not produce. Its sole purpose is to hold the colonies to the mother country, for Secretary Chamberlain doubtless sees, what men less wise than he have discerned, the impending danger of the dismemberment of the British Empire, not through any desire of the colonies to throw off an oppressive yoke, but that they may expand and grow to the commercial importance their natural advantages give them. It is asking more than patriotism has yet been credited with to expect the people of England to impoverish themselves in order that it may continue to be said that "England's drum-beat follows the sun in its course."

Reciprocity with the United States more Desirable

But what is Canada's interest in this English preferential? To have her grain given a preference in the English

market, she is to continue to give English manufacturers an exclusive preference in the Canadian market. Such English manufactures as can be sold in Canada, even with a preferential duty, are such as are sold chiefly in the Maritime provinces, Quebec, and Ontario. These provinces produce but little grain to be benefitted by the English food-stuff preferential, and Manitoba and the adjoining grain-growing districts would derive far greater benefit from reciprocity with the United States than any reciprocity England could give. The admission of wheat, the great staple product of this great western country, into the United States free of duty would be of far more value to them than any preferential tariff England could adopt, and this, too, without injury to the wheat growers of the United States. Liverpool, where the surplus wheat of the world is marketed, will continue to fix the price for Canada and for the United States, whether England adopts a discriminating duty or the United States tariff is taken off of Canadian wheat, or whether both of these events transpire. But the facilities for transporting, handling, and manufacturing the grain, which the Canadian farmer could avail himself of if he had free access to the American market, would be of more benefit to him than the slight tax England could place upon the grain coming from other countries. But of still greater value to the Canadian farmer would be the reduction of the duty on farm machinery, which is almost certain to be provided for in any reciprocity treaty that might be negotiated.

He now, to a large extent, buys American machinery because it is of high quality and best adapted to his needs, paying for it the American price plus from 20 to 35 per cent. duty. The rapid growth and development of the vast new country in western Canada makes this a matter of transcendent importance both to the Canadian farmer and the American manufacturer. Here, then, is an instance of genuine reciprocity. In exchange for the free admission of Canadian wheat to the American market, by which those interested on both sides of the line are to be benefitted, the Canadian duty on farm machinery will be reduced, to the advantage

also of those interested in both countries. If we travel along the border, observing the products that could be interchanged, we cannot help but be impressed with many instances similar to that just cited. Remove the tariff on lumber and our Western lumbermen will, by reason of advantageous transportation, contiguous territory, and other natural causes, supply the lumber to build the homes for the settlers in the new Canadian northwest, while further east the forests of Ontario will supply the demand for this commodity in our older States, from which the timber has long since been cut. Coal is another item. New England is badly in need of Nova Scotian coal and the coal miners of Nova Scotia badly want the New England market. Moving further west, the coal of Pennsylvania is wanted in central Canada, and can be placed in the yards and bins of the consumer far cheaper than coal from any other place.

Geography and climate conspire to demand the largest possible freedom of trade between the countries. The lines of commerce run with those of longitude as surely as those of immigration run with those of latitude, and as years go by, and the countries become more densely populated, it will be more and more apparent that the products of our warmer climate can be profitably exchanged for those of "Our Lady of the Snows." Glance at the map of North America and see what geography is certain to do in making these two countries commercially one. In commerce, the transportation of commodities to market is the most important factor, and whatever conditions the machinations of men may temporarily bring about, eventually the lines of transportation will be determined by distance and resistance. Nature selects the route of least resistance; following this natural law, the commerce of the world will eventually travel over the shortest route and that which affords the least obstacles to transportation. Aside from the Maritime provinces, the shortest route from every city and all productive parts of Canada to the Atlantic seaboard is through the United States. More than half of the population of Canada lies south of an east and west line that would run

through Grand Forks, North Dakota, and such a line drawn through Ottawa, the capital of the Dominion, would strike to Portland, Oregon, at its western terminus and bisect the state of Maine as it approached the Atlantic. Without pursuing the subject further, it is safe to say that, with unnatural barriers removed, the sum saved in transporting the products of Canada to their best markets would go a long way toward paying the fiscal expense of the Dominion government.

The Elgin Treaty of 1854

Largely through the energy, the tact, and the skill of Lord Elgin, then Governor-General of Canada, there was negotiated and ratified, in 1854, a commercial treaty between the United States and the Canadian provinces. This treaty, by its terms, was to continue for a period of ten years, and continually thereafter until twelve months after either government had given notice to the other of its wish to terminate the same. The President of the United States, upon the direction of Congress, gave such notice in 1865, and the treaty was terminated in 1866. No provision was made in this treaty fixing the duty on dutiable articles, but it provided for the free admission from either country to the other of a long list of natural products, being the growth and products of Canada and of the United States, embracing most of the products of the farm, the forest, the quarry, and the waters of each country.

In the light of present conditions, it is difficult to understand why the United States Congress terminated this treaty. The principal reason given was that, with the enormous debt left by the Civil War, the United States was in need of all possible revenues, and must have the revenue that would come from the duty on Canadian imports. It is possible, also, that a feeling of bitter hostility, growing out of the attitude of Great Britain and certain factions in Canada during our great civil conflict, had its influence upon Congress; but more than all this, it is probable that the great pressing problems with which the statesmen of that day

had to deal were so all-absorbing that the possible growth and development of our commerce did not receive due consideration.

Its Practical Effects

Figures which state the imports and exports do not always tell the full story of the value of a commerce. In any reciprocity arrangement that may be effected with Canada both nations would be benefitted, not only by their increased sales, but by their increased purchases from the other. But, viewed entirely from the standpoint of the figures which state the exports and imports, an examination of these figures for the years preceding, during, and succeeding the period of the treaty will disclose the fact that both countries were benefitted by its operation. Prior to 1854 there was comparatively little trade between Canada and the United States, and prior to 1846 scarcely any; but during this time, while the trade was insignificantly small, our exports always exceeded our imports. With the ratification of the treaty, in 1854, the trade between the countries increased at a bound. Our exports grew from \$12,432,597 in 1853, the year preceding the ratification of the treaty, to \$34,362,188 in 1855, the first year in which the treaty was in force, and our imports during the same period from \$6,527,559 to \$15,118,289. This rapid increase continued, preserving almost the same ratio, during the first few years the treaty was in operation. During our Civil war the exports and imports grew nearer together, owing to the curtailing of our production and the increase of our consumption, until, in 1864, the imports exceeded the exports, and so again in 1865 and in 1866. The treaty terminated in 1866, and the excess of imports over exports, which began in 1864, continued until 1874, or for a period of seven years after the termination of the treaty.

The Present Volume of Commerce

The years when this treaty was in force were far more prosperous for the commerce between Canada and the United States than had hitherto been enjoyed. In fact, it

was the very beginning of what has since developed into an enormous commerce between these two neighboring peoples. During the period of a little less than twelve years that the treaty was in force the balance of trade in our favor was \$37,479,531, being more than double the entire trade between the countries during any year prior to the ratification of the treaty, and the total commerce grew during that period from \$18,000,000 per annum to \$76,000,000. As these countries have prospered and increased in importance the commerce between them has continued to grow until, in the fiscal year just ended, the total commerce reached almost to \$180,000,000, the balance of trade being greatly in our favor. The present condition cannot, however, long continue. Our average tariff on dutiable goods coming from Canada to the United States is 49.83 per cent., and the Canadian average tariff on dutiable goods going from the United States into Canada is 24.83 per cent. Unless commercial reciprocity is soon attained, Canadian tariffs will undoubtedly be raised to approximately the level of our own, which will practically destroy commerce between the countries.

The Proposed "Brown Draft" Treaty

In 1874, a treaty was negotiated between the United States and the Dominion government which is known in Canada as the Brown Draft Treaty. This treaty contained three schedules, and by its terms it was agreed that the duty on articles named in these schedules, being the growth, products, and manufacture of the Dominion of Canada and of the United States, on their importation from one country to the other, should, from the first day of July, 1875, to the thirtieth day of June, 1876, inclusive, be two-thirds of the rate paid at the date of the treaty, and, from the first day of July, 1876, to the thirtieth day of June, 1877, inclusive, be one-third of such rate, and on and after the first day of July, 1877, for a period of twenty-one years, all such articles should be admitted free of duty into each country respectively. Schedule "A" of this treaty contained a long

list of natural products, embracing almost every article produced in either country that could be so classed. Schedule "B" was of farm machinery, and contained forty separate articles, while Schedule "C" contained a long list of other manufactured articles embracing most of the commodities consumed by people of this latitude. This treaty failed of ratification in the United States Senate, and hence was never passed upon by the Canadian Parliament.

Recent Negotiations

The Joint High Commission, of which Sir Wilfrid Laurier is the Canadian chairman, and Senator Fairbanks, of Indiana, the American chairman, and which is still in existence, was created in 1898. It met first at Quebec in the summer of 1899, and again at Washington in November of the same year, where it was in session until the following February, and while much progress was made in considering a commercial treaty, no definite result was attained. The commission being unable to agree upon the Alaskan boundary dispute, which was also before it, the commissioners from both sides were unwilling to proceed with the consideration of a commercial treaty. This troublesome question being now removed by the creation of a special tribunal, to which it has been referred, negotiations for the reconvening of the Joint High Commission have been for some time in progress.

Any reciprocity arrangement between these countries must be negotiated and put into effect by the Republican party in the United States and the Liberal party in Canada,—at least such must be the case unless the opposing parties reverse their more recent policy; and while these parties are so thoroughly intrenched in power in their respective countries would seem a desirable time to renew negotiations. In any reciprocity agreement that could be made some small interests on both sides of the line would have to suffer. But such interests are prospering to-day at enormous cost to far greater interests and to the masses of the people of both countries, and the time must surely come

when unnatural barriers will not be maintained at such a tremendous sacrifice of the well-being of the people for the trifling advantage a very few may receive.

NEGATIVE DISCUSSION

American Economist, 44: 90. August 20, 1909.

Silly Season At Washington.

It is surprising that any person of prominence in government employ at Washington should prepare, and still more surprising that the Associated Press should carry, a thousand words or more of such ignorant and absurd twaddle as that attributed to "a well known official" in a Washington dispatch of August 15, on the subject of the "distinct advantage that has been gained by the United States under the reciprocity agreements with European countries under the Dingley Tariff law." This well-known official not only betrays a discreditable lack of knowledge of the wide difference between trade agreements and reciprocity agreements, but also contradicts himself most stupidly in first praising the workings of these agreements as immensely beneficial to our foreign trade, and then commending the new maximum tariff provision which cancels all of the "beneficial" agreements! The first part of the article implies a criticism and condemnation of the action of Congress which that body should take cognizance of by ascertaining the identity and demanding the removal of that "well known official"; while the second and concluding part is a clumsy and contradictory attempt to smooth things over.

All but three of the New York papers put the article in the waste basket. The "Tribune", "Press", and "Journal of Commerce" gave it space which had been better filled with "bird stories". According to this "well-known official":

Generally speaking, these agreements have inured to our benefit and have been very helpful in the extension of our foreign commerce. They primarily have secured the United States pro-

tection against adverse tariff changes by guaranteeing us a continuation of the favored nation treatment.

A little later, speaking of the legislature which abrogates these "helpful" agreements, he stumbles over himself by saying:

The application of the maximum and minimum schedules provided for in the Payne-Aldrich bill is going to work out satisfactorily, according to the governmental tariff experts, who see no reason to anticipate any break in commercial relations with foreign countries as a result of their operation. The double schedule, in their opinion, will go far to sweep away all discriminations, and it will be suicidal, they say, for any country to stay outside the pale, endeavor to work independently and attempt a tariff war. That this feeling is apparent in France, whose manufacturers strongly opposed some of the new schedules, is already evident from the discussions in the newspapers.

The agreements prevented tariff discriminations, and their abrogation makes discrimination "suicidal". Now as to the "benefits" of the undervaluation privileges granted in the agreements:

Then, too, there has been a gradual growth of our exports. Lower duties on imported articles covered by the agreements have resulted in increased importations, and the ships bringing them have returned with cargoes from this country, made up of shipments given special rates.

Yes, there were lower duties and increased importations under the pernicious agreements. Was that beneficial to American labor and industry? Compared with 1908, the imports for 1909 show an increase of nearly \$120,000,000. Of these nearly \$44,000,000 were dutiable and displaced fully double the quantity of articles of domestic production. Then, too, our exports decreased nearly \$200,000,000 under these "helpful" agreements, and our favorable trade balance fell off more than \$315,000,000. The "helpfulness" of this enormous loss in a period of depression must appeal strongly to the "well known official."

There is, however, one spasm of sense in this statement:

As to Cuba, to which a concession was granted on sugar imports (and all other Cuban products) the United States has been a distinct loser, our revenue falling off \$10,000,000 during the last year. We were morally bound to assist Cuba, however, the officials say, because of the activity displayed in her behalf, so that this deficit is counted up to the profit and loss account.

But even here only a part of the truth is told. No mention is made of the \$50,000,000 which we are sending to Cuba every year over and above our sales to Cuba, and

which is spent by the Cuban people in the purchase of goods from European countries. Nor does it appear that the "well known official" is aware of the fact that the more than \$10,000,000 a year of revenue lost to the United States Treasury by reason of the concessions on imports from Cuba finds its way almost entirely to the coffers of the Sugar Trust and the Cigar and Tobacco Trusts.

It would seem that in Washington the vacation season is the silly season.

American Economist. 44: 92. October 15, 1909.

"Reciprocity" with Cuba.

Our Consul-General at Havana reports progress in the development of Cuban industries by American capital at the expense of competing American industries. During the last fiscal year there have been imported into this country from Cuba something over 250,000 packages of vegetables and fruit, including 24,348 packages of oranges and grapefruit. As our own area for producing these commodities—except a few strictly tropical fruits—is ample, and as experience has shown the regular Dingley tariff to be no higher than necessary to conserve the American market for American farmers, the 20 per cent. reduction under which these farm products enter this country is an actual bounty to that amount in aid of foreigners, in their competition with our own people. We should not have said "foreigners". The Consul-General reports that these imports "represent ten years of American endeavor" in the exploitation of Cuba—that is to say, the endeavor of expatriated American capital. The United States government, in effect, proposes to any American who will invest money in Cuba a bounty of 20 per cent. of the regular duty to make it more profitable for him to invest his money in Cuba than to invest it in this country.

There could hardly be worse statesmanship. Happily we are not likely to get any more such treaties, but that with

Cuba still persists and is likely to persist until the people of that part of the United States which lies a little back from the Atlantic coast fully understands what is done to them in the interest of American speculators. Then it will be ended. At one time the sentiment suggested by the engaging term "reciprocity" had a strong hold on the American people and was worked for all it was worth in the interest of shrewd American capitalists. In the case of Hawaii it built up some great American sugar fortunes and annexation followed. And expatriated capital expects to accomplish the same result in the case of Cuba.—San Francisco "Chronicle"

American Economist. 45: 206. May 6, 1910.

Experiences in "Reciprocity".

(Correspondence American Economist)

Washington, D. C., April 28, 1910.—Early negotiations for reciprocity treaties is one of the things contemplated by President Taft. He agreed with the Canadian authorities to take up that question, and already some work has been done on the subject. The President believes that a reciprocity treaty can be negotiated with great advantage to both this country and to Canada, and takes a similar view with regard to such treaties with Germany, France, and other countries. President Roosevelt, when he first occupied the White House held similar views, and probably does yet. But there has never been substantial backing in Congress in favor of this sort of tariff dickering. The leaders in both houses look with suspicion upon them, and for that reason it has been difficult to get agreements of that kind ratified.

President McKinley appointed Mr. Kasson of Iowa to negotiate such treaties and he spent a good deal of time and money in getting up a bad set of dickers with France and other nations. They were considered by a Senate committee and discussed to some extent in executive session,

but there was very emphatic opposition to them, and so, with the consent of President McKinley they were never pressed. Mr. Aldrich and other Republican senators regarded those Kasson treaties as preposterous. They could hardly believe that President McKinley really favored them, or that he was even familiar with what Mr. Kasson had done in that direction; and there was never any evidence that President McKinley took any particular interest in them. He made no recommendations to the Senate on the subject, but simply sent the treaties for consideration.

The public has been led to believe that great results in the way of increased trade were accomplished by the reciprocity treaties formerly in force, and probably a large proportion of the people now believe that this country lost when it abrogated the treaty with Canada and would profit if another one were negotiated and carried into effect. A treaty confined to natural products would not be favorable now, and there is hardly a remote possibility, if the Republican leaders in the Senate are authority on the subject, of the ratification of such a treaty. It would also have to meet the approval of the House because of its charge of the tariff law.

The One-Sided Canadian Treaty

As an illustration of the effect of the reciprocity treaty with Canada, which existed from 1855 to 1866, the exports and imports during that time may be quoted. That treaty provided for the free admission into either country from the other of breadstuffs, provisions, live animals, fruits, fish, poultry, hides and skins, furs, stone, ores and metals, timber and lumber, unmanufactured cotton, flax and hemp, and unmanufactured tobacco—the list of articles being identical for each country. The treaty went into effect on March 16, 1855, and ended on March 17, 1866. For the fiscal year ending June 30, 1855, the United States exported to Canada \$27,741,808 in value of goods and imported from that country \$15,118,289. The next year the exports increased to the extent of \$1,283,541 and the imports from Canada increased

\$822,302. The imports and exports fluctuated during the war period, the imports being larger in 1860 than the exports, and both being about the same in 1861, while in 1862 and 1863 the exports were the largest, but in 1864 the imports from Canada were over \$3,000,000 greater than the exports to that country, and in 1865 the imports were about \$5,000,000 greater than the exports. In 1866 they were \$24,000,000 greater, which was the year the treaty was abrogated. But the Canadians had got their trade so well established on this side that their exports to this country largely exceeded our exports to Canada for the next seven years.

Reciprocity Results with Other Nations

The reciprocity situation with other nations does not differ materially with that of Canada. Before the Hawaiian Islands were annexed to the United States we had a reciprocity treaty with that country, lasting from 1876 until the time the country became a part of the United States. During all that time the imports from those islands were two and three times as great as the exports to those islands. In 1880 the imports were more than double the exports from the United States, and in 1890 the imports were three times as much as the exports, and they were the same in 1898. So that as far as trade purposes were concerned it was a very one-sided arrangement, to the disadvantage of this country.

Central American Treaties

There was a reciprocity agreement with Guatemala lasting from May 30, 1892, to August 27, 1894, when the Democrats annulled it. The exports from the United States in 1891, the year before the treaty took effect, were larger than at any time while it was in effect, but the exports were always less than the imports.

The agreement with Honduras, which went into effect in 1892, was similar in its results. The imports the last year of the treaty were in value \$765,138, while the exports to Honduras were \$558,511.

With Nicaragua there was a somewhat similar experience. The year before the agreement took effect the imports from Nicaragua and the exports to that country were larger than they were any year the treaty was in existence. The exports were \$1,692,942 in 1891, but in 1893, the year after the arrangement took effect, they were only \$937,859, and they were still less the next year, though the imports from Nicaragua were \$1,400,236 in 1893 and \$1,564,472 in 1894, the last year of the treaty.

The exports to Salvador declined every year the arrangement was in effect, but the imports were the largest the last year, being \$1,391,611 greater in that year than they were in 1891, the year before the treaty took effect. The exports from the United States were \$88,765 less the last year of the arrangement than the year before it took effect.

Under the treaty with the British West Indies the exports from the United States to those countries the year before the arrangement took effect were in value \$9,709,138, and they had declined in 1893 under the treaty to \$8,044,846, and were the last year of the treaty \$8,512,016, but the imports, which were \$12,440,132 the first year of the arrangement exceeded \$16,000,000 the second year, and were \$13,017,178 the last year.

The arrangement with Santo Domingo showed up to a little better extent, the exports amounting to \$1,143,479 the first full year of the treaty and to \$1,768,602 the last year, but the imports, which were \$2,293,748 the first year, increased to \$3,200,852 the last year.

In all those cases the countries with which the arrangements were made derived the most advantage from them. So far as trade is concerned the United States obtained no apparent advantage whatever, when the exports from this country were taken into consideration.

Big Sums Paid to Cuba for "Reciprocity"

Cuba has been pointed to as one country from which valuable results were obtained under a reciprocity treaty. But the figures do not bear out that statement. The first

reciprocity agreement with Cuba was negotiated with Spain, and went into effect September, 1891. For the fiscal year 1892 the imports from Cuba increased \$6,000,000 over the previous year, and the exports to Cuba increased something over \$5,000,000. The next year the imports increased less than \$1,000,000, while the exports increased a little over \$6,000,000. The last year of the treaty the imports declined \$3,000,000 and the exports \$4,000,000, the total imports from Cuba reaching \$75,678,261 and the exports to Cuba \$20,125,321. There was certainly nothing in those figures to make out anything like real reciprocity with Cuba.

The second treaty with Cuba was negotiated when it became an independent nation and took effect December 27, 1903. Under that agreement Cuba received a 20 per cent. reduction from the Dingley rates of duty. The chief imports from Cuba are sugar and tobacco. The imports from Cuba in 1902 aggregated \$34,694,684, and had exceeded that figure only once (in 1901) in six years.

The imports in the fiscal year 1903 were \$52,942,790. The treaty took effect in December of that year, and the imports from Cuba for each fiscal year since, with the exports to Cuba, and the amount of duty which the United States has lost owing to the treaty, are as follows:

Year	Imports from Cuba	Exports to Cuba	Reduction of duty in favor of Cuba
1904	\$76,983,418	\$25,810,812	\$ 8,000,000
1905	86,304,259	36,407,932	8,954,696
1906	84,979,821	46,377,277	10,982,170
1907	97,441,690	48,330,913	13,161,898
1908	85,284,692	46,500,800	10,537,921
1909	96,722,193	42,629,871	13,000,000
1910	*99,000,000	*50,215,769	.....

*Partly determined

Not yet determined

Under the treaty exports have nearly doubled while imports from Cuba have practically trebled, as the effect of the treaty, as they were running previous to 1903 at about \$34,000,000, whereas they have now reached nearly \$100,000,000. At the same time the consumer in this country has got sugar no cheaper and has paid enormous sums annually,

probably reaching \$14,000,000 for the present fiscal year, as a present to Cuba. The United Kingdom and several other countries have increased their exports of manufactures to Cuba relatively greater than the United States, while this treaty has been in effect.

Other Unprofitable Treaties

Under the treaty with Porto Rico imports increased and exports decreased. With Brazil there was a similar result. The first year of the arrangement imports from that country increased \$35,000,000, reaching \$118,633,604, while the exports to Brazil increased to the extent of \$71,627 only, the total reaching \$14,291,873. In the next year the exports to Brazil were \$825,000 less than they were the first year. The exports to Brazil were greater the two years following the annulment of the agreement than while it was in effect.

The first year of the agreement with Austria-Hungary imports increased \$2,300,000, while exports to that country declined \$1,000,000, the total of the exports being \$571,037, and the total of the imports being \$10,054,501.

The first year of the treaty with Germany showed an increase in imports from that country of \$14,000,000 and a decrease in exports to that country of \$22,000,000.

No Benefit in the Figures

It is not necessary to give any more statistics to show that the falsity of the statements that this country was greatly benefited, in a trade sense, by reciprocity treaties. The very opposite is the fact, as shown by the statistics of our government. That is why Mr. Aldrich and the other Republican leaders in the Senate as well as in the House were not in favor of extending trade in that way. Canada has been the most obstinate of any nation we have had negotiations with on this subject. She is aided to a large extent in the United States by the ignorance of newspaper writers on this topic. But Congressmen when they undertake to ratify treaties study the question and investigate the facts, and that is the reason the Kasson treaties were

pigeon-holed, as will be similar treaties in the future, providing any such are sent to Congress. The surprise of some members of Congress over Senator Root's declaration in favor of a treaty with Canada confined to natural products seems to be fully justified by the circumstances.

American Economist. 47: 20. January 13, 1911.

Chasing the Reciprocity Rainbow.

The attitude of the farmers of the Canadian Northwest regarding protection and free-trade is not altogether unlike the attitude of certain people in New England. The Canadian farmers are fierce for free-trade in farm products. They have a big surplus to dispose of, and if they are allowed to put their stuff over the border without paying any tariff they are perfectly willing that the industries of Eastern Canada should be sacrificed on the altar of free-trade. Also the reciprocity shouters of New England want free-trade in Canada's farm products, so that they may get their food-stuffs cheaper, and if they can have this privilege they are perfectly willing to sacrifice the American farmers of the food producing sections of the Middle West on the altar of free-trade. But there is a difference. The Canadian farmers are free-traders and don't hesitate to say so; while the New England reciprocity shouters claim to be protectionists. The Canadian farmers are honest and consistent; the New Englanders are not.

But neither the Canadian farmers nor the New England near-free-traders are likely to get what they want. American farmers are so big an element in American politics that no political party can afford to trade off their rights and interests in a reciprocity dicker which would let in Canada's competing farm products free of duty. Neither the Republican nor the Democratic party would dare to do such a thing. On the other hand, the industrialists of Eastern Canada are so strong in the large centers of population that no Canadian government will take the risk of

trading off their rights and interests in a reciprocity dicker which would let in American manufactures at low duties or no duties. This situation is so perfectly obvious that President Taft ought to see it clearly. Yet the dream of reciprocity with Canada continues to be dreamed at Washington. In a dispatch to the New York Tribune from Washington, December 22, we read:

In preparation for negotiations on Canadian reciprocity President Taft held an extended conference with Secretary Knox and Chandler Anderson, counselor of the State Department, who was recently appointed to the place made vacant by the death of Henry M. Hoyt.

The prospects for a successful issue of the negotiations are brighter at present than they have been at any other time since the subject was brought up in connection with the tariff agreement by which Canada obtained the minimum rates under the Payne-Aldrich law. So far no serious obstacles have arisen. President Taft's efforts to pave the way for the negotiations have been unusually successful and there has been much evidence of a responsive feeling in Canada.

The negotiations will be taken up directly with the Canadian representatives early in January in Washington. Mr. Anderson has been giving most of his time to the question and carrying on the investigations interrupted by the death of Mr. Hoyt. The conference to-day was for the purpose of gathering up the loose ends and mapping out the field to be covered by the agreement.

Reciprocity has been well defined as "a sharp bargain between sharp bargainers, one or the other of whom is certain to get the best of the bargain." Another good definition would be: "Reciprocity is a dishonest scheme contrived by selfish men whereby one producing interest is sacrificed for the benefit of some other producing interest." In practical operation as between the United States and Canada, reciprocity fits both of these definitions. Both parties are trying to drive a sharp bargain. Canada is figuring how she can help her farmers at the expense of American farmers and without paralyzing Canadian industries, and the United States is figuring how to help American manufacturers without hurting American farmers. The sharp bargainers on both sides are going to fall down. The things they are trying to do can not be done without involving unpleasant political consequences to both bargainers. President Taft is chasing a reciprocity rainbow.

American Economist. 47: 62-6. February 3, 1911.

Canadian Agreement.

Following is the official draft of President Taft's message of January 26, 1911, to the Congress of the United States, announcing the terms of the proposed "reciprocity" agreement with Canada, together with tabulated statements showing the new rates of duty:

Special Message

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

In my annual message of December 6, 1910, I stated that the policy of broader and closer trade relations with the Dominion of Canada, which was initiated in the adjustment of the maximum and minimum provisions of the Tariff act of August 5, 1909, had proved mutually beneficial and that it justified further efforts for the readjustment of the commercial relations of the two countries. I also informed you that, by my direction, the Secretary of State had dispatched two representatives of the Department of State as special commissioners to Ottawa to confer with representatives of the Dominion government, that they were authorized to take steps to formulate a reciprocal trade agreement, and that the Ottawa conferences thus begun, had been adjourned to be resumed in Washington.

On the 7th of the present month two cabinet ministers came to Washington as representatives of the Dominion government, and the conferences were continued between them and the Secretary of State. The result of the negotiations was that on the 21st instant a reciprocal trade agreement was reached, the text of which is herewith transmitted with accompanying correspondence and other data.

CONTROVERSIES THAT HAVE BEEN ELIMINATED

One by one the controversies resulting from the uncertainties which attended the partition of British territory on the American continent at the close of the Revolution, and

which were inevitable under the then conditions, have been eliminated—some by arbitration and some by direct negotiation. The merits of these disputes, many of them extending through a century, need not now be reviewed. They related to the settlement of boundaries, the definition of rights of navigation, the interpretation of treaties, and many other subjects.

Through the friendly sentiments, the energetic efforts, and the broadly patriotic views of successive administrations, and especially of that of my immediate predecessor, all these questions have been settled. The most acute related to the Atlantic fisheries, and this long-standing controversy, after amicable negotiation, was referred to The Hague Tribunal. The judgment of that august international court has been accepted by the people of both countries and a satisfactory agreement in pursuance of the judgment has ended completely the controversy. An equitable arrangement has recently been reached between our Interstate Commerce Commission and the similar body in Canada in regard to through rates on the transportation lines between the two countries.

IDENTITY OF INTEREST OF TWO PEOPLES

The path having been thus opened for the improvement of commercial relations, a reciprocal trade agreement is the logical sequence of all that has been accomplished in disposing of matters of a diplomatic and controversial character. The identity of interest of two peoples linked together by race, language, political institutions, and geographical proximity offers the foundation across the boundary of the thrifty and invancement of our own country by the migration across the boundary of the thrifty and industrious Canadians of English, Scotch, and French origin is now repaid by the movement of large numbers of our own sturdy farmers to the northwest of Canada, thus giving their labor, their means, and their experience to the development of that section, with its agricultural possibilities.

The guiding motive in seeking adjustment of trade rela-

tions between two countries so situated geographically should be to give play to productive forces as far as practicable, regardless of political boundaries. While equivalency should be sought in an arrangement of this character, an exact balance of financial gain is neither imperative nor attainable. No yardstick can measure the benefits to the two peoples of this freer commercial intercourse and no trade agreement should be judged wholly by custom house statistics.

THE NEED OF THE HOUR IS A BROAD AND STATESMANLIKE VIEW

We have reached a stage in our own development that calls for a statesmanlike and broad view of our future economic status and its requirements. We have drawn upon our natural resources in such a way as to invite attention to their necessary limit. This has properly aroused effort to conserve them to avoid their waste, and to restrict their use to our necessities. We have so increased in population and in our consumption of food products and the other necessities of life, hitherto supplied largely from our own country, that unless we materially increase our production we can see before us a change in our economic position, from that of a country selling to the world food and natural products of the farm and forest, to one consuming and importing them. Excluding cotton, which is exceptional, a radical change is already shown in our exports in the falling off in the amount of our agricultural products sold abroad and a corresponding marked increase in our manufactures exported. A far-sighted policy requires that if we can enlarge our supply of natural resources, and especially of food products and the necessities of life, without substantial injury to any of our producing and manufacturing classes, we should take steps to do so now. We have on the north of us a country contiguous to ours for three thousand miles, with natural resources of the same character as ours which have not been drawn upon as ours have been, and in the development of which the conditions as to wages and character of the wage earner and transportation to market differ

but little from those prevailing with us. The difference is not greater than it is between different states of our own country or between different Provinces of the Dominion of Canada.

WE SHOULD GET RID OF AN OBSTRUCTIVE OR PROHIBITORY TARIFF

Ought we not, then, to arrange a commercial agreement with Canada, if we can, by which we shall have direct access to her great supply of natural products without an obstructing or prohibitory tariff? This is not a violation of the protective principle, as that has been authoritatively announced by those who uphold it, because that principle does not call for a tariff between this country and one whose conditions as to production, population, and wages are so like ours, and when our common boundary line of three thousand miles in itself must make a radical distinction between our commercial treatment of Canada and any other country.

The Dominion has greatly prospered. It has an active, aggressive, and intelligent people. They are coming to the parting of the ways. They must soon decide whether they are to regard themselves as isolated permanently from our markets by a perpetual wall or whether we are to be commercial friends. If we give them reason to take the former view, can we complain if they adopt methods denying access to certain of their natural resources except upon conditions quite unfavorable to us?

A notable instance of such a possibility may be seen in the conditions surrounding the supply of pulp wood and the manufacture of print paper, for which we have made a conditional provision in the agreement, believed to be equitable. Should we not now, therefore, before their policy has become too crystallized and fixed for change, meet them in a spirit of real concession, facilitate commerce between the two countries, and thus greatly increase the natural resources available to our people?

I do not wish to hold out the prospect that the unrestricted interchange of food products will greatly and at once reduce their cost to the people of this country. More-

over, the present small amount of Canadian surplus for export as compared with that of our own production and consumption would make the reduction gradual. Excluding the element of transportation, the price of staple food products, especially of cereals, is much the same the world over, and the recent increase in price has been the result of a world-wide cause. But a source of supply as near as Canada would certainly help to prevent speculative fluctuations, would steady local price movements, and would postpone the effect of a further world increase in the price of leading commodities entering into the cost of living, if that be inevitable.

In the reciprocal trade agreement numerous additions are made to the free list. These include not only food commodities, such as cattle, fish, wheat, and other grains, fresh vegetables, fruits, and dairy products, but also rough lumber and raw materials useful to our own industries. Free lumber we ought to have. By giving our people access to Canadian forests we shall reduce the consumption of our own, which, in the hands of comparatively few owners, now have a value that requires the enlargement of our available timber resources.

"IN ACCORD WITH THE EXEMPTION OF RAW MATERIAL FROM
DUTY"

Natural, and especially food, products being placed on the free list, the logical development of a policy of reciprocity in rates on secondary food products, or foodstuffs partly manufactured, is, where they cannot also be entirely exempted from duty, to lower the duties in accord with the exemption of the raw material from duty. This has been followed in the trade agreement which has been negotiated. As an example, wheat is made free and the rate on flour is equalized on a lower basis. In the same way, live animals being made free, the duties on fresh meats are substantially lowered. Fresh fruits and vegetables being placed on the free list, the duties on canned goods of these classes are reduced.

Both countries in their industrial development have to

meet the competition of lower-priced labor in other parts of the world. Both follow the policy of encouraging the development of home industries by protective duties within reasonable limits. This has made it difficult to extend the principle of reciprocal rates to many manufactured commodities, but after much negotiation and effort we have succeeded in doing so in various and important instances.

BENEFITS TO AGRICULTURAL IMPLEMENT MAKERS

The benefit to our widespread agricultural implement industry from the reduction of Canadian duties in the agreement is clear. Similarly, the new, widely distributed and expanding motor vehicle industry of the United States is given access to the Dominion market on advantageous terms.

My purpose in making a reciprocal trade agreement with Canada has been not only to obtain one which would be mutually advantageous to both countries, but one which also would be truly national in its scope as applied to our own country and would be of benefit to all sections. The currents of business and the transportation facilities that will be established forward and back across the border cannot but inure to the benefit of the boundary states. Some readjustments may be needed, but in a very short period the advantage of the free commercial exchange between communities separated only by short distances will strikingly manifest itself. That the broadening of the sources of food supplies, that the opening of the timber resources of the Dominion to our needs, that the addition to the supply of raw materials, will be limited to no particular section does not require demonstration. The same observation applies to the markets which the Dominion offers us in exchange. As an illustration, it has been found possible to obtain free entry into Canada for fresh fruits and vegetables—a matter of special value to the South and to the Pacific coast in disposing of their products in their season. It also has been practicable to obtain free entry for the cottonseed oil in the South—a most important product with a rapidly expanding consumption in the Dominion.

The entire foreign trade of Canada in the last fiscal year, 1910, was \$665,000,000. The imports were \$376,000,000, and of this amount the United States contributed more than \$223,000,000. The reduction in the duties imposed by Canada will largely increase this amount and give us even a larger share of her market than we now enjoy, great as that is.

CHIEFLY AFFECTS COST OF LIVING

The data accompanying the text of the trade agreement exhibit in detail the facts which are here set forth briefly and in outline only. They furnish full information on which the legislation recommended may be based. Action on the agreement submitted will not interfere with such revision of our own tariff on imports from all countries as Congress may decide to adopt.

Reciprocity with Canada must necessarily be chiefly confined in its effect on the cost of living to food and forest products. The question of the cost of clothing as affected by duty on textiles and their raw materials, so much mooted, is not within the scope of an agreement with Canada, because she raises comparatively few wool sheep, and her textile manufactures are unimportant.

WILL CEMENT FRIENDLY RELATIONS

This trade agreement, if entered into, will cement the friendly relations with the Dominion which have resulted from the satisfactory settlement of the controversies that have lasted for a century, and further promote good feeling between kindred peoples. It will extend the market for numerous products of the United States among the inhabitants of a prosperous neighboring country with an increasing population and an increasing purchasing power. It will deepen and widen the sources of food supply in contiguous territory, and will facilitate the movement and distribution of these foodstuffs.

The geographical proximity, the closer relation of blood, common sympathies, and identical moral and social ideas fur-

nish very real and striking reasons why this agreement ought to be viewed from a high plane.

FEELS THAT HE HAS CORRECTLY INTERPRETED THE WISH OF
THE AMERICAN PEOPLE

Since becoming a nation, Canada has been our good neighbor, immediately contiguous across a wide continent without artificial or natural barrier except navigable waters used in common.

She has cost us nothing in the way of preparations for defense against her possible assault, and she never will. She has sought to agree with us quickly when differences have disturbed our relations. She shares with us common traditions and aspirations. I feel I have correctly interpreted the wish of the American people by expressing in the arrangement now submitted to Congress for its approval, their desire for a more intimate and cordial relationship with Canada. I therefore earnestly hope that the measure will be promptly enacted into law.

Wm. H. Taft.

The White House, January 26, 1911.

View of Canadian Negotiators

HOW THE AGREEMENT IS TO AFFECT WOOD PULP AND PAPER

Washington, January 21, 1911.

Dear Mr. Secretary:— 1. The negotiations initiated by the President several months ago, through your communication to His Excellency the British Ambassador, respecting a reciprocal tariff arrangement between the United States and Canada, and since carried on directly between representatives of the governments of the two countries, have now, we are happy to say, reached a stage which gives reasonable assurance of a conclusion satisfactory to both countries.

2. We desire to set forth what we understand to be the contemplated arrangement and to ask you to confirm it.

3. It is agreed that the desired tariff changes shall not

take the formal shape of a treaty, but that the governments of the two countries will use their utmost efforts to bring about such changes by concurrent legislation at Washington and Ottawa.

4. The governments of the two countries having made this agreement from the conviction that, if confirmed by the necessary legislative authorities, it will benefit the people on both sides of the border line, we may reasonably hope and expect that the arrangement, if so confirmed, will remain in operation for a considerable period. Only this expectation on the part of both governments would justify the time and labor that have been employed in the maturing of the proposed measures.

BOTH GOVERNMENTS FREE TO MAKE CHANGES IN THE TARIFF

Nevertheless, it is distinctly understood that we do not attempt to bind for the future the action of the United States Congress or the Parliament of Canada, but that each of these authorities shall be absolutely free to make any change of tariff policy or of any other matter covered by the present arrangement that may be deemed expedient. We look for the continuance of the arrangement, not because either party is bound to it, but because of our conviction that the more liberal trade policy thus to be established will be viewed by the people of the United States and Canada as one which will strengthen the friendly relations now happily prevailing and promote the commercial interests of both countries.

5. As respects a considerable list of articles produced in both countries, we have been able to agree that they shall be reciprocally free. A list of the articles to be admitted free of duty into the United States when imported from Canada, and into Canada when imported from the United States, is set forth in Schedule A.

6. As respects another group of articles, we have been able to agree upon common rates of duty to be applied to such articles when imported into the United States from Canada or into Canada from the United States. A list of

these articles, with the rates of duty, is set forth in Schedule B.

7. In a few instances it has been found that the adoption of a common rate will be inconvenient and therefore exceptions have to be made.

8. Schedule C specifies articles upon which the United States will levy the rates therein set forth when such articles are imported from Canada.

9. Schedule D specifies articles upon which Canada will levy the rates therein set forth when such articles are imported from the United States.

CAN DO NOTHING IN THE EXPORTATION OF PULP WOOD

10. With respects to the discussions that have taken place concerning the duties upon the several grades of pulp, printing paper, etc.—mechanically ground wood pulp, chemical wood pulp, bleached and unbleached, news printing paper and other printing paper and board made from wood pulp, of the value not exceeding four cents per pound at the place of shipment—we note that you desire to provide that such articles from Canada shall be made free of duty in the United States only upon certain conditions respecting the shipment of pulp wood from Canada. It is necessary that we should point out that this is a matter in which we are not in a position to make any agreement. The restrictions at present existing in Canada are of a Provincial character. They have been adopted by several of the Provinces with regard to what are believed to be Provincial interests. We have neither the right nor the desire to interfere with the Provincial authorities in the free exercise of their constitutional powers in the administration of their public lands.

MUST BE, FOR THE PRESENT, INOPERATIVE

The provisions you are proposing to make respecting the conditions upon which these classes of pulp and paper may be imported into the United States free of duty must necessarily be for the present inoperative. Whether the Provin-

cial governments will desire to in any way modify their regulations with a view to securing the free admission of pulp and paper from their Provinces into the market of the United States, must be a question for the Provincial authorities to decide. In the meantime, the present duties on pulp and paper imported from the United States into Canada will remain. Whenever pulp and paper of the classes already mentioned are admitted into the United States free of duty from all parts of Canada, then similar articles, when imported from the United States, shall be admitted into Canada free of duty.

CUSTOMS REGULATIONS NECESSARY

11. The tariff changes proposed might not alone be sufficient to fully bring about the more favorable conditions which both parties desire. It is conceivable that customs regulations which are deemed essential in some cases might operate unfavorably upon the trade between the United States and Canada and that such regulations, if made without due regard to the special conditions of the two countries, might to some extent defeat the good purpose of the present arrangement. It is agreed that the utmost care shall be taken by both governments to see that only such customs regulations are adopted as are reasonably necessary for the protection of the treasury against fraud; that no regulation shall be made or maintained which unreasonably hampers the more liberal exchange of commodities now proposed; that representations on either side as to the unfavorable operation of any regulation will receive from the other all due consideration, with the earnest purpose of removing any just cause of complaint; and that, if any further legislation is found necessary to enable either government to carry out the purpose of this provision such legislation will be sought from Congress or Parliament as the case may be.

AS TO FISHING PRIVILEGES

12. The government of Canada agree that, until otherwise determined by them, the licenses hitherto issued to

United States fishing vessels under the provisions of Section 3 of Chapter 47 of the Revised Statutes of Canada, granting to such vessels certain privileges on the Atlantic coast of Canada shall continue to be issued and that the fee to be paid to the government of Canada for such license by the owner or commander of any such United States vessel shall hereafter be one dollar per annum.

13. It is understood that upon a day and hour to be agreed upon between the two governments the President of the United States will communicate to Congress the conclusions now reached and recommend the adoption of such legislation as may be necessary on the part of the United States to give effect to the proposed arrangement.

14. It is understood that simultaneously with the sending of such communication to the United States Congress by the President, the Canadian government will communicate to the Parliament of Canada the conclusions now reached and will thereupon take the necessary steps to procure such legislation as is required to give effect to the proposed arrangement.

15. Such legislation on the part of the United States may contain a provision that it shall not come into operation until the United States government are assured that corresponding legislation has been or will be passed by the Parliament of Canada; and in like manner the legislation on the part of Canada may contain a provision that it shall not come into operation until the government of Canada are assured that corresponding legislation has been passed or will be passed by the Congress of the United States.

Yours faithfully,

W. S. Fielding,
Wm. Patterson.

The Honorable P. C. Knox,
Secretary of State, Washington, D. C.

Special Stipulations as to Pulp Wood, Pulp and Paper

That portion of the letter of the Canadian ministers which relates to pulp wood, pulp, and paper is as follows:

Pulp of wood mechanically ground; pulp of wood, chemical bleached or unbleached; news print paper, and other paper and paper board, manufactured from mechanical wood pulp or of which such pulp is the component material of chief value, colored in the pulp, or not colored, and valued at not more than four cents per pound, not including printed or decorated wall paper.

Provided, That such paper and board, valued at four cents per pound or less, and wood pulp, being the products of Canada, when imported therefrom directly into the United States, shall be admitted free of duty, on the condition precedent that no export duty, export license fee, or other export charge of any kind whatsoever (whether in the form of additional charge or license fee or otherwise) or any prohibition or restriction in any way of the exportation (whether by law, order, regulation, contractual relation, or otherwise, directly or indirectly) shall have been imposed upon such paper, board, or wood pulp, or the wood used in the manufacture of such paper, board or wood pulp, or the wood pulp used in the manufacture of such paper or board.

Provided also, That such wood pulp, paper or board, being the products of the United States shall only be admitted free of duty into Canada from the United States when such wood pulp, paper or board, being the products of Canada are admitted from all parts of Canada free of duty into the United States.

Note—It is understood that fresh fruits to be admitted free of duty into the United States from Canada do not include lemons, oranges, limes, grapefruit, shaddocks, pomeelos, or pineapples.

It is also understood that fish oil, whale oil, seal oil and fish of all kinds, being the product of fisheries carried on by the fishermen of the United States, shall be admitted into Canada as the product of the United States, and similarly that fish oil, whale oil, seal oil and fish of all kinds, being the product of fisheries carried on by the fishermen of Canada, shall be admitted into the United States as the product of Canada.

American Economist. 47: 102. February 24, 1911.

Plain Truth About the Proposed Reciprocity Agreement.

In its issue of February, 1911, the Canadian Textile Journal presents an article entitled "Some Aspects of the Reciprocity Deal." It is an expression from the Canadian side which might well claim attention on the American side of the border. At the very outset of his treatment of the proposed bargain between the United States and Canada the Canadian editor draws attention to one peculiar fact which has escaped attention hitherto. Referring to the reciprocity treaty of 1854, he remarks:

Although the Canadian commerce affected by the old treaty was practically confined to lumber, fish and farm products, and presented a comparatively simple proposition, it took eight years of discussion and negotiations before that treaty was concluded. Now it is proposed to deal with a vastly more complex range of industry and trade, and an agreement, framed by two gentlemen on each side, after six months of intermittent study, revolutionizing the economics of a hemisphere, is presented to both countries in the form of an ultimatum, and must be accepted or rejected in its entirety.

Certainly the draft of the proposed agreement of to-day bears on its face evidence of a most deplorable lack of study, investigation, and collection of facts relating to economic conditions on both sides of the border which is highly discreditable to the negotiators on both sides. It is indeed remarkable that a document so fraught with vital consequences to 92,000,000 people on one side and 8,000,000 on the other side should have been rushed to a conclusion in so short a space as six months of superficial figuring and dickering. The result is what might have been expected, an agreement full of faults, defects, and blunders. The Canadian journal wisely observes:

So long as each country maintains its own tariff it will be found, as before, that there is no half-way house between complete commercial union and independent fiscal systems. Unhindered and independent action by both countries is better than the tying of knots which would only have to be undone later on, with more trouble and vexation than if each went its own way as a friendly neighbor.

There is a significance in this remark that ought not to be overlooked in view of the excitement and alarm caused by annexation talk. Such talk was inevitable as a conse-

quence of the so-called "reciprocity" negotiations and their outcome. President Taft set the pace when in his message to Congress and in his subsequent speeches in advocacy of the confirmation of the agreement, he has continually laid much stress upon the "cementing of friendly relations" with our Northern neighbors. We already had the most amicable relations. No two countries lying side by side in the history of the world ever had more complete friendly relations than Canada and the United States. Then why talk of more friendly relations? No wonder the Canadian loyalists and the British loyalists took alarm at a trade agreement whose present scope and ultimate objects were so openly declared to be the cultivation of "more friendly relations." This was diplomatic language, and diplomatic language, according to Talleyrand's definition, is the "art of concealing meaning with words."

Champ Clark in his hope that the time might come when the American flag would float over all of Great Britain's dominions on the American continent, was only a little plainer and a little less diplomatic, for he meant very much the same thing that President Taft has been construed as meaning. Representative Bennett, of New York, only went a little farther than the Democratic leader of the House when he introduced a bill providing for the creation of a commission to bring about the annexation of Canada to the United States. Both Clark and Bennett were following the path blazed by the Presidential ax, only they were clearing the path instead of merely blazing it.

What else besides ultimately closer political ties could President Taft have meant when he said:

The geographical proximity, the close relationship of blood, common sympathy and identical moral and social ideas furnish very real and substantial reasons why this agreement ought to be viewed from a high plane.

This is diplomatic phraseology, but it is none the less significant on that account. Its real drift and tendency have not been misunderstood either in Great Britain or by the loyalists of Canada.

The Canadian Textile Journal sees some significance in

the fact that in the proposed new arrangement the article of wool does not appear at all. This would seem to be an inadvertence. There is no more reason why Canadian wool should be refused free entrance to our market than why free-trade should be established in a large and much more important collection of articles of farm products. If wheat, barley, live cattle and live sheep, why not wool? It is true, as President Taft remarks in his message to Congress, that Canada "raises comparatively few wool sheep, and her textile manufactures are unimportant as compared with the equivalent industries in the United States. But there is an explanation of this fact which probably did not occur to President Taft. Canada has not protected her wool or her woollens as effectively as the United States has done. Under proper protection for wool and with no preferential tariff which permits British textile producers to undersell the woollen manufacturers of Canada, the conditions named by President Taft would not now exist. On the contrary, Canada would by this time have increased her flocks by many millions, and her textile weavers would be furnishing woollen cloths that now come from England under preferential tariff reductions in favor of English weavers.

From a reading of the article in the Canadian Textile Journal, which we reprint in this issue, much may be gathered that has a bearing on the question of the wisdom, the judgment, and economic and political consequences of the proposed tariff agreement with Canada. The conclusion is necessary and obvious that the agreement was much too hastily and imperfectly considered, and that it is so full of faults and flaws and mistakes that it ought to be rejected both by Canada and the United States. So far as the United States is concerned no such bargain should ever be permitted along the lines followed in the negotiations with Canada. If we are to alter our tariff system at all, it should be after full and careful consideration by the proper committees of the American Congress and by the final judgment and approval of the American Congress itself.

American Economist. 47: 316. May 26, 1911.

Reciprocity Not Favored by the Country Generally.

It is surprising to find the following in the Camden Post-Telegram, which is, generally speaking, a good protectionist paper:

Senator Briggs and Martine will vote for Canadian reciprocity when the bill comes up in the upper house of Congress. If Jersey interests were likely to be harmed by this measure it would hardly get the support of these representatives of opposing political parties. The prospects are that New Jersey will be benefited by the opening of the Canadian market to its garden produce and some of its manufactures, and by the free entrance from Canada of raw materials for our factories and of lumber and other Canadian products in general use. Senator Briggs has a clearer view of the situation than the two New Jersey representatives in the lower house who voted against the administration measure.

We say this is surprising, not alone because the Post-Telegram, prior to the development of President Taft's astonishing free-trade project, had been a consistent and an intelligent advocate of protection, but because of its present short-sighted view that New Jersey is going to be benefited. Suppose that New Jersey will sell some "garden sass" to Canada, will sell some manufactures to Canada, and will get some raw materials from Canada cheaper than it has heretofore gotten them from American producers. Will all that, assuming it to be true, benefit New Jersey in the long run? No, it will not. First of all, New Jersey's best market both for her garden stuff and her manufactures is the market made by American consumers. No small part of her market for manufactures is made by Western farmers. Now, if New Jersey buys her agricultural raw materials from Canada will she sell as much as heretofore to American farmers? Most certainly not. She will lose a market at home far more valuable than the Canadian market could possibly be.

But there is something else to be considered. If the American farmers lose any portion of the American market, or if they are obliged to accept lower prices for their products, because of free-trade, will they continue to vote protection for New Jersey's manufacturers? They will not. It

is contrary to human nature that they should. They will smash protection when they discover that protection is not for them. Will that benefit New Jersey?

Now it is possible that all this may not come to pass as a result of free-trade in farm products. We think it will, inevitably. Moreover, we think it ought to come to pass; that if protection is not for all it should be for none. But, in any event, the scheme is fraught with danger. It is a hazardous experiment with possible consequences of incalculable disaster. Then why try such an experiment? Why take such a risk? Why not stand by protection in the future as in the past? There is in that no experiment, no risk, but there is sure and certain prosperity for all. Best let well enough alone.

American Economist. 47: 323. June 2, 1911.

"Reciprocity" Is Losing Ground. Arthur J. Dodge.
(Correspondence *American Economist*)

Washington, June 1.—There have been indications during the past few days that President Taft is becoming seriously concerned about the prospects of the passage through the Senate of the Canadian agreement bill. Doubts regarding the safety of that measure in the Senate have been growing during the past two weeks, and it has come to be plain that the longer the measure is kept in suspense the weaker it becomes, and the opposition grows confident that the defeat of the measure can be brought about.

What appears especially to trouble President Taft is the suggestion of possible amendments to the trade agreement measure, the most important of which is said to be an amendment proposed by Senator Root, of New York, aimed to bring about what is declared is not now the case under the terms of the bill, namely, actually reciprocal exchange of wood pulp and paper, as it was claimed the negotiators of the trade agreement measure really sought to accomplish.

There are two remarkable things about the present situa-

tion as to the trade agreement bill in addition to the diminishing interest in the measure and the indications of its possible failure. One of these is the insistent demands by the supporters of the measure that it shall be brought to a speedy vote, and the other is the opposition to even such a salutary amendment as that proposed by Senator Root. If the Canadian agreement is all that has been claimed for it by President Taft, surely the bill should gain in strength rather than lose, the longer the matter is discussed in and out of Congress. Inevitably the opinion must be among the people of the country that a measure of this character that will not stand the closest scrutiny and the fullest possible discussion and consideration must be far less worthy than President Taft and other supporters of the bill have sought to make the country believe it is.

Reason for Getting Facts

In view of the fact that no industries in the country were taken into the confidence of President Taft and his Administration when the Canadian trade agreement was enacted, and the further fact that no hearings of consequence were held upon it during the consideration and passage of the bill by the House of Representatives, it is not surprising that there has been an urgent demand by representatives of industries that would be in a greater or less degree affected by the trade agreement to be heard before the Finance committee of the Senate. It certainly cannot be the wish of President Taft and other supporters of the Canadian agreement that snap judgment shall be taken upon the people of the country and the bill rushed through, either here or in Canada, without the people of both countries thoroughly understanding what is intended to be accomplished. It is hardly sufficient for the industries of this country, at least, whose representatives have a genuine fear that serious disaster may flow from the operations of the trade agreement if it shall become a law, that everybody is to be satisfied with the complacent suggestion of President Taft, that if the agreement does not work satisfactorily it can be speedily repealed! There ought to be and doubtless is a way for

ascertaining in advance, material facts with respect to the probable operations of the trade agreement, and that is what the hearings before the Finance Committee have sought to accomplish.

It is difficult to explain in view of these facts why there should be such insistent opposition by the supporters of the Canadian agreement to such an amendment as that proposed by Senator Root, of New York, relating to the paper and pulp sections of the agreement. It must be that President Taft and his friends, in urging the speedy passage of the Canadian agreement bill, are coming to realize the fact that, with a majority of the Republicans in both the Senate and the House opposed to this measure, it becomes rather embarrassing to a Republican President and his Administration to urge upon the country a measure that is thus discredited by a majority of his party associates. The fact should not be overlooked that not only are a majority of the Republicans in the House and Senate opposed to the measure, but a clear majority of the Committee on Finance, including Republicans and Democrats, are known to be opposed to a favorable report upon the bill. Indeed, comment has been made by a disinterested writer, in a communication to a leading paper in New York, which is supporting the Canadian trade agreement, that the number of actually loyal supporters of the Canadian agreement in the United States Senate could ride in a single and not very capacious automobile!

The Free-Pulp and Paper Amendment

Be that as it may, it is the strangest thing in connection with the consideration of this trade agreement that only denunciation and protest is heard, when so distinguished a statesman and former adviser of Presidents at the Cabinet table, Senator Root, proposes that a change shall be made in the Canadian agreement bill whereby there shall be an actual reciprocal exchange of paper and pulp, rather than what is declared to be a "jug-handle" arrangement which would result only in paper and pulp from Canada being imported free of duty into the United States. It is charged

by careful students of the trade agreement that if the measure were passed in its present form by the Congress of the United States and approved by the President, Canada might reject the entire proposition and the result still would be that paper and pulp from Canada would come into the markets of the United States free of duty. Senator Root declares that this is unfair. He believes that if there is to be a free admission of paper and pulp into the United States, every consideration of fairness with respect to the proposition dictates that the deal shall not be wholly one-sided, but be precisely what President Taft and his friends in supporting the trade agreement have declared, namely, an actual reciprocal exchange of all commodities touched by the provisions of the trade agreement bill.

The opposition to the Canadian agreement has developed very strongly in the Finance committee during the past ten days. Farmers and manufacturers of paper have appeared here from many of the border states, emphatically declaring that injurious results certainly will flow from the passage of the bill in its present form. The fact has been emphasized before the committee by farmers, who are well informed regarding trade conditions on both sides of the boundary line between this country and Canada, that there would be a serious depression in prices of American farm products without any appreciable reduction in the cost of living of finished commodities made from these raw farm products. The explanation for this is that the actual original cost of these farm products constitutes so small a relative proportion of the cost of the finished commodities that even if manufacturers were able to obtain the farm products at reduced prices, as a result of free Canadian competition, no appreciable reduction would thereby be brought about in the cost of the finished product to the ultimate consumer. This is an important feature of the matter which should challenge the attention of thoughtful people throughout the country, regardless of the merits or demerits of the general so-called "reciprocity" proposition.

Farmers and Manufacturers Object

The paper manufacturers are equally emphatic in declaring that there is no justice in the proposition that their products should be subjected to absolutely free competition from the Canadian side. They base this not only upon their own testimony respecting the cost of producing wood pulp and paper in this country and in Canada, but they find undoubted support for their contention in the reports made by the special Congressional committee and also by the Tariff board. Standing squarely upon the last Republican platform, which demands a rate of duty on competing products at least equivalent to the difference in the cost of production in this country and in foreign countries, they very properly ask what justification there is in demanding that paper and pulp be denied that measure of protection which the Republican platform guarantees.

With the prospect that the Canadian trade agreement bill will be reported out of the Finance committee within a few days, probably with no recommendation as to action by the Senate, the committee will then be called upon to give some attention to the remarkable "Free List" bill which was passed by the House without hearings and without anything that amounted to serious consideration. Intimations are given that the committee will give hearings on this bill. It may easily be predicted that the representatives of the industries in the country that are threatened with disastrous competition, as a result of the free listing of their manufactured products, even while retaining duties upon the materials from which the products are fabricated, will be able to demonstrate to the committee, to the Senate and to the country how utterly absurd this experimentation in Democratic "Tariff Reform" really is.

Less Than Protection is Free-Trade

In the meanwhile, the Democratic majority in the House is moving to attack with the usual Democratic "blunder-

buss" methods, the wool and woollen goods and cotton goods schedules of the Tariff. Clinging to the idea that some duties must be retained "for revenue only," the Democrats give evidence of turning their backs upon the former free wool policy of their party to adopt a proposition which gives neither protection nor adequate revenues. The fact seems to be entirely ignored by these tariff-tinkers that less than a fair protective rate of duty is equivalent to absolute free-trade, so far as the actual results in demoralization to labor and industry in this country are concerned. That fact was demonstrated by the last Democratic tariff law that was enacted, and it will be demonstrated by the present Democratic tariff bills if they shall ever be written into the statute books.

American Economist. 47: 325. June 2, 1911.

"Reciprocity" Is More In Doubt.
(Correspondence American Economist)

Washington, June 1.—The testimony given so far before the Senate Finance committee in regard to the proposed measure of reciprocity with Canada shows the wisdom of the Democrats in control of the House committee having charge of the subject, in refusing to allow any hearing on the question. Despite the efforts of Mr. Norris of the American Newspapers Publishers' Association, and others directly interested in the success of the measure, in getting men like Prof. Boyle, of Minnesota, Gov. Osborn, of Michigan, and others to come here and testify in behalf of the "reciprocity" bill, and in working up petitions in its behalf, and asking persons to send telegrams and letters to the same effect to Senators, they have done more harm than good.

"Reciprocity" Growing Weaker

The measure is weaker today than at any time since it was first introduced in Congress. The farmers and others

have given the strongest kind of evidence to show the unfairness of the measure, and the enormous injury that would result from its passage, while Norris and others have been forced to admit the active part they have taken in trying to force the measure through Congress. Norris, on cross examination by the Senate committee, admitted his consultations with Mr. Pepper, the State Department Tariff "expert", who was sent to Ottawa to begin negotiations, and his (Norris's) work in sending circulars and other documents over the country to help the bill, and of obtaining men to testify, etc.

How Some Men Came to Speak for the Bill

When Prof. Boyle was giving his testimony he admitted that he was a "Tariff reformer," and declined to say whether or not he had been promised reimbursement for his expenses, etc., in coming to Washington to testify in behalf of this legislation to help develop the Canadian Northwest. Gov. Osborn, of Michigan, was almost a laughable witness for "reciprocity." In the first place he had to admit that he owned a newspaper and would therefore be benefited by getting cheaper paper from Canada. But he declared that "wheat could not be raised in Saskatchewan in competition with our wheat fields," and that "the arable region of Canada is very small," and "the great Canadian Northwest cannot compete with Michigan or any other section of the United States where wheat is raised."

Foolish Assertions

In view of the large and rapid increase in the production of wheat, barley, etc., in the Canadian Northwest, members of the committee were astonished at Gov. Osborn's assertions, and they found him equally lacking in information about the provisions of the "reciprocity" bill. Hence Senator Bailey said: "I see very plainly that you have not troubled yourself with the details of this treaty at all," to which the Governor replied: "No; I believe that Canada cannot compete with us in anything." Despite the record

of Canada's exports of cereals and other products under the reciprocity treaty that was abrogated in 1866, the Governor stuck to his assertions on this point.

Seeking to Develop Plate Glass in Canada

Mr. W. J. Strassburger, secretary and treasurer of the Allegheny Plate Glass Company, pointed out to the committee the deceptive feature of the so-called reciprocity on plate glass in the agreement. Canada is to make a reduction in her duty on plate glass of $2\frac{1}{2}$ per cent., which Mr. Strassburger showed would amount to eight-tenths of 1 cent a square foot on glass from 7 to 25 square feet per plate. The reduction made to Canada by the United States would be $14\frac{1}{2}$ cents, against Canada's eight-tenths of 1 cent. Mr. Strassburger said:

We would not have any market for plate glass except for the tariff. We organized under the tariff and cannot exist without it. We pay \$2.25 a day wages, while Belgium pays 65 cents, and other European countries in proportion. England has a preferential rate into Canada of $7\frac{1}{2}$ per cent. ad valorem. France has intermediate rates, but Belgium, paying higher rates, ships four times as much of this glass to Canada as does France. Great Britain supplies 62 per cent. of the glass Canada uses. We could not ship any more there if we had free entry. We could not get men to work in this country for the European rate of wages. Under the tariff we have reduced the prices of glass from \$1.75 to 30 odd cents, because of improvements in production. But even then we cannot keep out imports of such glass. The proposed arrangement with Canada, which produces no glass now, would simply enable Canada to build factories to supply this country with plate glass, but would not foster American industry one particle. It is deception so far as it pretends to benefit the American manufacturer and his workmen.

American Economist. 47: 368. June 23, 1911.

Both Sectional and Partisan. Mulhall (Okla.) Enterprise.

The understanding we have always had of the word "reciprocity," namely, a mutual exchange, it seems to us is not carried out by this treaty. How is it figured that a 90,000,000 is a fair exchange for a 9,000,000 market.

On a par with the unfairness of this exchange of goods between the United States and Canada, is the partisan man-

ner in which the Democrats are proposing to revise the tariffs on farm products. The tariff on food animals between Canada and the United States is taken off. The Canadian sheep owner may drive his flock across the border and shear them and sell the wool in the American market and then drive his flock back to Canada.

Why not let Mexican sheep and wool come in the same way? Because Texas is a Democratic state. For the same reason Mexican cattle cannot be driven into Texas, but Canadian cattle may be driven into Republican states on the border without paying the tariff. The wheat, oats, barley, and rye of the Northern farmer must come into competition with the Canadian farmer, tariff free; but the tobacco, sugar and rice of the southern states are not to be on the free list. Is the method of making a tariff sectional? Is it partisan? By such methods the Democratic party again shows its capacity for blundering, and no doubt they are consoled by the fact that they have a good sized bunch of Republican "Progressives" to keep them company.

It will only require a year's trial of such an unfair, unpatriotic partisan measure to arouse the farmer voters to its unequal application, and then they will snow the party under with their ballots, that is responsible for such legislation. Not the least joyful result of the storm of ballots will be to see four or five dozen Progressive Republicans in it, up to their knees, having taken a header for private life.

Journal of Political Economy. 19: 567-73. July, 1911.

Proposed Agreement as Viewed by the Farmer.

G. C. White.

Few questions of great importance have been so unfairly presented to the reading public as the one now under discussion. For this reason the efforts of this Economic Society to bring together the representatives of the many classes interested at this forum for full and free discussion

of this subject must receive the approval and praise of all who believe that right and justice should prevail.

For some reason most of the magazines of our country and the great newspapers of our cities have refrained from publishing articles other than those favorable to this agreement. This is partly due to the false idea, which is general, that the farmers are making excessive profits and that they could well afford to sell their products for lower prices than have prevailed during the past five years. The Census of 1900 shows the average income of the Iowa farmer to be \$1,600 while his investment is over \$10,000. After deducting interest on his investment, taxes, hired help, making allowance for depreciation, etc., the farmer has left as wages for himself and family less than \$600. The wife helps with the work of the farm, often husking a part of the corn; the children help with the farm work from the time they are eight years old, and seldom attend school except in the winter season after they are twelve years old. No one will dare say \$600 is excessive wages for the farmer and his family for their year's work. The Census also shows that the income and wage of the farmer in Iowa is greater than in any other state. The average gross income of the Illinois farmer in 1900 was about \$1,400. Some will say that prices were much higher in 1910. The Census reports are not complete for 1910, but taking such reports as are available from the Census and the reports of the secretary of the State Board of Agriculture of Iowa, I find the average income of the Iowa farmer for the year 1900 to be \$2,100, and this includes poultry, eggs, and dairy products. His investment has nearly doubled; wages are about 40 per cent higher, and after making the necessary deductions his net income, or rather the wage received by himself and family, is less than \$800 per year.

There are three points in this discussion to which I would call your attention: (1) What is the agreement? (2) Who are asking for it? (3) What are the probable results?

From the farmer's viewpoint the word "reciprocity" as

here used is a misnomer; there is nothing reciprocal or mutual about it. The chief purpose of this agreement is to reduce the price of farm products. These are the only products admitted duty-free through this agreement except fish and rough lumber. All manufactured products will continue to pay duties ranging from 20 per cent upward.

The following articles by the terms of the agreement are duty free when moved from one to the other country: live animals, poultry, eggs, dairy products, fruits, honey, fish, rough lumber, and grain including corn, wheat, oats, barley, etc. So far as I can learn this includes nearly every product of the farm.

While wheat is on the free list the duty is still maintained on flour; while cattle and hogs are admitted free the duty is still maintained on dressed meat. This is done supposedly for the benefit of the miller and packer. If the purpose of this agreement is to reduce the cost of living, why not admit flour and dressed meat duty free? The consumer buys flour not wheat; meat not live cattle. Milling is largely a monopoly and the large mills fix the margin for milling. The packers are now under indictment for illegal acts in combining to depress the price of live animals and to exact excessive prices for their product. It is hard to understand why the miller and packer need protection more than the farmer.

The President in his message of April 5, 1911, presents the issue squarely in these words: "We have so increased in population and in our consumption of food products and the other necessities of life, hitherto supplied largely from our own country, that unless we materially increase our production we can see before us a change in our economic position, from that of a country selling to the world food and natural products of the farm and forest, to one consuming and importing them."

Mr. James J. Hill, through his public utterances and magazine articles, has warned the people of this country that we were about to reach the point where we would not produce enough food to feed our population. The argument is freely

offered that the farmer has received no direct benefit from the tariff. While this is true he has been promised that eventually he would receive a direct benefit. The lamented William McKinley made a tour of the West in October, 1894, to aid the Republican congressional ticket. His speeches were an appeal to the patriotism of the farmer and urged him to vote for the protective tariff in order that the manufacturer might pay better wages to his men; and that the farmer would be rewarded by a home market for his products at greatly enhanced prices. This has been the argument of all who attempt to justify a protective tariff to the farmers of this country. It is in the nature of a contract that has existed for years between the consumers and the farmers. Now that the home market is about to be realized, free food from Canada is demanded and this in spite of the fact that food is shown, by the report of the Lodge Senate committee, to be much cheaper here than in European countries.

The principal advocates of this so-called reciprocity are the following: The East and manufacturing districts by this means hope to get cheaper food; the large cities and especially those near the Great Lakes believe it will extend their trade with Canada; the railroads hope to haul the wheat from Canada to the United States and to return more manufactured articles from the states than are now shipped. The speculators who have invested in Canada lands believe it will largely increase the value of their holdings. Many others hope that through this agreement the farmer will be convinced that he shares none of the benefits of the protective tariff, but is required to pay excessive prices for what he buys; and after its passage he will be easily induced to vote for the destruction of the protective principle. The greater part of the advocates of reciprocity in the agricultural states belong to this latter class. Some prominent newspapers advocate the adoption of this agreement hoping it will utterly destroy the protective tariff.

That there is a general demand for cheaper food on the part of the consumer is not disputed, but the question to be

met here is: Would it not be far better to reduce from the other end of the line than by depressing the price on the article as it leaves the farmer? Recent investigations of the Secretary of Agriculture show that on an average the farmer gets only 50 per cent of what the consumer pays for the product. If the farmer's price is materially reduced he will curtail production because lower prices will not justify the employment of labor at present high rates, and still larger numbers of farmers' boys will be compelled to engage in commercial and professional occupations and the rural population will continue to decline.

The chief reason for the decline in the rural population during the past ten years is the fact that the wages or profits of the farmer are less than those in other lines of business.

Those who read the market pages of our great newspapers will not deny that the prospect of reciprocity has reduced the prices of grain. The following from the *Chicago Tribune* market notes, May 26, helps to explain the marked decline in prices of farm products in recent months: "Wheat in this country from a supply and demand standpoint is legitimately worth \$1. Canadian reciprocity talk knocked from ten to fifteen cents off the price." Now if talk alone will have this effect what will free interchange amount to ten years hence?

It is not what Canada produces today that we need fear but the products of future years when the vast areas are under cultivation. Not many years ago the Dakotas grew no wheat. The possibilities of wheat production in Canada are immense. It is said that less than 10 per cent of any of the Northwest territories is cultivated. These four territories have an area of over 400,000 square miles; they are gently rolling, mostly prairie, with a virgin soil, fully as productive as the Dakotas, and an area eight times as great as the state of Illinois.

The argument is advanced that free importation of Canadian wheat will not reduce the price of corn; this is a mistake; nearly all of our wheat-growing land will produce

corn equally as well; if the price of wheat is materially reduced the Kansas farmer as well as the Minnesota farmer will grow corn in place of wheat, and the price of corn will decline because of excessive production. It is also claimed that because Canada does not grow corn it will not compete with us in meat-production; but Ireland and Denmark are famous for their pork and send large quantities to England, yet they grow no corn. Canada will produce pork with oats and peas and better than our own. It is true that Canada is taking large numbers of our horses; the demand would not be greatly increased because of this agreement, for every immigrant may take ten head, duty free, into Canada at the present time. The inevitable result that is to follow the settling of Canada with its cheap land, producing an abundance of hay and oats, will be to make Canada a large exporter of horses within ten years.

Some persons urge this agreement because Canada is a near neighbor whose people speak a common language and have common motives and by this means they hope to promote closer relations. If this is the purpose why not have free interchange of all commodities; why limit it to farm products? This same argument will apply with equal force to England; the means of communication are such that England is closer to a large part of the United States than Canada.

There are no advantages offered to the farmers through this agreement, should it be adopted they will be compelled to continue to sell in the lowest market in the world and buy in a market greatly consume about 40 per cent of the manufactures sold. The decline of prices of farm products will compel the farmer to curtail his purchases. These products are over 30 per cent lower today than the average price during the three preceding years. The products of the farms of Iowa for these years were worth nearly \$500,000,000 annually. The farmers of Iowa will have about \$150,000,000 less to spend this year than last. If the merchants of Iowa are wise they will not purchase over 60 per cent of the amount they purchased last year; the same is

true of other agricultural states. Thus the decline in price is sure to react upon the manufacturer and laborer. It will be seen that no class can escape the injury that is bound to follow an attack on the prosperity of another class. In this question there is a direct conflict of interest between the agricultural classes and the manufacturing interests.

If the manufacturers have reached such a condition that they must invade the world's markets and must have cheaper food and cheaper labor, as was the case in England sixty years ago, they ought to be fair and say, We are willing to abandon our fictitious basis of values and will surrender our advantages under the protective tariff in order that we may get cheaper food and cheaper labor.

If the manufacturer is to receive the benefit of a protective tariff on his product ranging from 50 to 100 per cent it is entirely unjust to say that the tariff shall be removed from the products of the farm, for this is the effect of this agreement, and that the farmer shall be compelled to sell in a free-trade market and buy in a highly protected one, while on the other hand the Canadian may sell in our market if to his advantage and buy from Europe or Japan as he chooses.

So long as we maintain a protective tariff it is manifestly unjust to say that the agricultural classes, over 35 per cent of our population, shall receive no benefits from this policy; that the reward of their labor shall be taken from them through an unjust tariff law and given to the more favored classes who enjoy protection.

If the measure of protection is to be the difference between the cost of production at home and abroad with a reasonable profit added, why not apply this principle to food products. This principle applied to Canada, because of cheaper land and a virgin soil, would give us a protective tariff on food products of fully 25 per cent.

The farmer in the production of grain or meat combines capital, skill, and labor, just as the man who manufactures steel, rails, cloth, or shoes, and is justly entitled to the same measure of protection.

We have just reached the point where the tariff will enhance the prices for farm products. The farmer is not getting as good pay for his labor as other classes. He does not create fictitious prices for his products through monopolies. It would be far better to produce our food at home and have our own farmers prosperous consumers, than to pay our money to the Canadian farmer for his product with no assurance that he will spend any part of such money for American goods.

Our own farms will easily produce 50 per cent more food products than they are now producing if the consumer is willing to pay a reasonable price for them so that the farmer may expend a greater amount for labor.

The consumers should be patriotic enough to demand food grown by our own farmers; reduce the excessive toil taken by the middlemen and increase the wealth and prosperity of our own states rather than lending their energies to develop northwest Canada.

